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FINLAND

Vayrynen, Holkeri Even in Race for Presidency

Koivisto Remains Far Ahead

36170028 *Helsinki HELSINGIN SANOMAT in Finnish*
21 Nov 87 p 14

[Article: "Vayrynen's and Holkeri's Support Now Even"]

[Text] Support for the Conservative Party presidential candidate Harri Holkeri and the Center Party presidential candidate Paavo Vayrynen, who are competing for second place in the presidential elections was even last week. If the elections were held at that time, each of them would have received 10 percent of the votes. This was indicated by a poll conducted by the radio news.

On Friday, the radio made public the support figures for presidential candidates from all the opinion polls which Taloustutkimus Oy [Economic Research Company] conducted for it during the fall. It became clear from the data that no essential changes have occurred in support for candidates during the fall.

Support for President Mauno Koivisto has remained overwhelmingly high the whole time. In the last poll in the second week of November (week 46), Koivisto again received 60 percent of the support. The trend seems to be upward from October, but the change could be a statistical error since the reliability factor in Koivisto's support figures is approximately 6 percentage points.

Support For Presidential Candidates (Percent)
Radio Poll in Fall 1987

Week	33	36	38	40	41	42	44	46
Koivisto	64	60	61	58	59	58	56	60
Holkeri	12	15	12	13	13	15	11	10
Vayrynen	8	9	9	11	10	9	12	10
Koivisto	5	4	4	6	5	5	7	6
Kajanoja	—	1	1	1	0	0	1	1
Do not know	11	11	14	11	13	13	13	13

Holkeri's support would appear to be low. In October in week 42, it was 15 percent and now a month later it is 10 percent.

No major fluctuations have occurred in Vayrynen's support, but Vayrynen's popularity has increased slightly since the early fall. In August in week 33, the figure for Vayrynen was 8 percent and the highest support figure of 12 percent was measured at the end of October in week

44. These were the very figures that the radio news did not make public since there were suspicions that changes which occurred in the random sample caused the support figures to fluctuate.

Support for People's Democratic candidate Kalevi Kivisto and Taistoite [Stalinist] Communist Jouko Kajanoja has remained quite stable and low.

The number of citizens who were not able to make up their minds remained pretty much the same throughout the fall.

Approximately 1000 people are interviewed in a week in Taloustutkimus polls. They are asked for which of the five candidates they would vote if the elections were held now.

The first poll was conducted for the radio in May. Week 33 of the polls conducted in the fall occurred in August, weeks 36 and 38 in September, weeks 40, 41, 42, and 44 in October, and week 46 was in November.

Majority Supports Holkeri Government

36170028 *Helsinki HELSINGIN SANOMAT in Finnish*
17 Nov 87 p 9

[Article: "More Than Half Satisfied With Holkeri's Government"]

[Text] Satisfaction with Prime Minister Harri Holkeri's government (Conservative) is at the same level as satisfaction was with the previous government of Kalevi Sorsa (Social Democrat) according to a Finnish Gallup poll. At the end of October, 57 percent of the respondents indicated satisfaction with the Holkeri government.

In a poll requested by the four largest parties, 23 percent of the respondents indicated that they were generally dissatisfied with the actions of the government. Open dissatisfaction was less than in similar polls in this decade. The proportion of respondents who "do not know" was, for its part, greater than in previous polls or 20 percent.

In a similar poll conducted last year, 58 percent was generally satisfied with the actions of Kalevi Sorsa's government and 30 percent of the respondents was dissatisfied. The percentage of those who did not know was 13.

Satisfaction with Holkeri's government was clearly the greatest in Southern Finland where satisfaction was 61 percent. The percentage of those satisfied in Central Finland was 56 percent and only 43 percent was satisfied in Northern Finland.

The interviews were conducted in the period 12—30 October. The total number of people interviewed was 987.

10576

Continuing Debate on Country's Stance on European Unity

Former Trade Minister Comments

36170027 Helsinki HELSINGIN SANOMAT in Finnish
21 Nov 87 p 40

[Article by Jyri Raivio: "New Customs Director Jermu Laine: 'EFTA Is Best Channel for Finland's EC Aspirations'"]

[Excerpt] It is beneficial at this point in time for Finland to assume an active role in EFTA and to attempt to influence affairs in such a way that the other EFTA-countries would find it possible to support trade policy interests in the direction of the European Community particularly through EFTA.

This was the statement made by Jermu Laine, master of laws, former minister, and former MP, 56. On Friday, the President of the Republic appointed him to a real lookout spot in trade policy, director general of customs beginning next March.

In the last 6 months, Laine has primarily acted as a consultant enjoying a partial MP's pension. It has provided him an opportunity to give thorough thought to Finland's trade policy position in an integrating Europe. And not just to think since Laine has also written and lectured on a subject with which he became thoroughly familiar in his previous job as foreign trade minister in Kalevi Sorsa's previous government.

Laine points out that the six member countries of EFTA, the European Free Trade Association, are an exceptionally important marketing area for the EC also. EC-countries export more products to the member countries of EFTA than to the United States and Japan combined. Laine believes that the EC would give greater recognition to the importance of EFTA if EFTA were to present a more unified approach.

Indeed, there are sufficient questions to be negotiated with the EC in connection with European integration. Issues connected with a research and product development policy, public projects, and the subsidy policy of individual states, among other things, will become timely in the near future in Laine's opinion.

They are all of tremendous practical importance from Finland's point of view and in Laine's opinion it would be beneficial to find common EFTA-points of view in them. Finland should attempt to promote issues alone only in those instances in which common interests cannot be found.

Sorsa's Views Discussed

36170027 Helsinki HELSINGIN SANOMAT in Finnish
28 Nov 87 p 2

[Editorial: "Finland's Position in Europe"]

[Text] An integrating Europe and its challenges to Finland are now the fashionable subject in various academic seminars and in presentations by commerce and industry. The subject has been treated cautiously, on the other hand, at a high political level. Therefore, Foreign Minister Kalevi Sorsa's speech "Finland in Europe" at the annual meeting of the Paasikivi Society on Friday is worthy of attention.

Sorsa once again pointed out that for Finns Europe is not only "Brussel's Europe", but rather de Gaulle's broad Europe from the Atlantic to the Urals. According to Sorsa, it can also be a CSCE-Europe, which also includes the United States and Canada. Or it can also be "our own trade policy Europe", in which the weights in the stance at this time are 65 percent toward the West and 17 percent toward the East. With these ratios Sorsa was able to illustrate the economic emphasis of Western Europe's integration development from Finland's point of view.

And what about the political aspect of the EC's integration development? That is what we have considered to be the key question. Sorsa attempted to dismiss the dramatics of the development phase going on in the EC or the creation of internal markets. Unlike the beginning of the 1970s, no new institutions or agreements on which Finland would have to determine a position will come about in connection with EFTA- and EEC-decisions.

In Sorsa's opinion, generally speaking, Finland will not be compelled to adopt any new positions in principle in this connection. In the present integration phase of the EC, it is primarily a question of qualitative changes, the elimination of remaining obstacles to the exchange of commodities and economic activity. In this light, the problem for Finland is not a foreign policy one in this phase.

The question is that of being able to preserve the results achieved by previous EFTA- and EEC-decisions in the future also. Otherwise, our competitive position threatens to become weaker with respect to the EC-countries. Sorsa made the assurance that the Finnish Government is prepared to take those actions which are required by the protection of our interests. In Sorsa's opinion, a common approach of the EFTA-countries is the best alternative in this work, but this is not possible in every issue. Therefore, the possibility to reach bilateral consultative decisions must also be preserved.

As far as neutrality in this connection is concerned, Sorsa stated that neutrality is, in fact, not a trade policy term. In his opinion, it is better to talk about protecting our

interests by means of balanced trade policy arrangements. Sorsa, however, once again made it clear that our policy of neutrality is not to be adapted to limits on full national sovereignty or thus to full membership in the EC.

Earlier in the fall, Prime Minister Harri Holkeri also touched on some of the same questions in the same distinguished forum. The prime minister's and the foreign minister's speeches appear to be in mutual agreement, as they should be. The adoption of an attitude toward Europe's integration development no longer raises the political passions it did 15 years ago. The choice made at that time was the only correct one. We are not yet at another new fork in the road. There is only one road on which we must attempt to stay.

Challenge for Nordic Cooperation

36170027 Helsinki HELSINGIN SANOMAT in Finnish
5 Dec 87 p 2

[Editorial: "Nordic Cooperation and the EC"]

[Text] Political impetus has recently become increasingly deficient in Nordic cooperation. Does the turning of everyone's attention in the direction of the European Community (EC) mean a political deathblow to the future of Nordic cooperation? The question has become acute, but the problem should be made known.

In two recent interviews, Norwegian and Finnish, President Koivisto has adopted a rather unenthusiastic attitude toward the importance of Nordic economic cooperation. According to Koivisto, the Nordic countries are too similar with respect to their economies and they do not supplement each other. Their mutual trade is developing as part of a broader European framework, and the slogan of domestic Nordic markets is artificial. There is little left that would be dependent on the individual positions of the various Nordic countries.

Without a doubt, the burning question of the near future for the Nordic countries also will be the EC's domestic markets and entry into them. The Nordic countries, which are outside of the EC, see EFTA as the most important means in their aspirations and not Nordic cooperation. This is certainly correct. Swedish Foreign Trade Minister Mats Hellstrom, nevertheless, presented a good question at the Finnish-Swedish seminar in Hanasaari: Would not a tightening of Nordic cooperation be a natural path for Finland and Sweden to take in strengthening positions in future negotiations?

The Nordic area and the EC must not become opposing concepts. Nordic cooperation must be developed in close contact with Western European development so that Nordic decisions will fit into the larger European connection. This will require the Nordic countries to closely observe the internal development of the EC beginning at the official government level and to exploit what is observed at a joint Nordic decision-making level.

10576

SDP, CPSU Seminar Examines New Forms of Cooperation

36170021b Helsinki HELSINGIN SANOMAT
in Finnish 15 Nov 87 p A10

[Text] "New Conservatism Is Our Common Enemy"

"The formation of Pan-European cooperation might be a good basis for the cooperation between social-democrats and communists," said director Juri Krasin, from the Institute of Social Sciences of the Communist Party of the Soviet Union, while speaking in a joint seminar of SDP and CPSU in Helsinki on Saturday.

According to Krasin, the common enemy of the revolutionary and reformist trend in the labor movement is the new conservatism; opposition to this is shared by both groups. In this, he believes, another suitable area for cooperation might be found.

"Particularly the multiphase construction of a Pan-European homeland may become a fruitful area in the communists' and the social-democrats' cooperation and dialogue, all within the more extensive complimentary influence of the societal forces promoting security and cooperation in Europe," said Krasin.

Krasin believes that this is the direction of the economic development in all European countries, and the development of economic and trade contacts is in the interest of all European countries, the capitalist as well as the socialist.

It is obvious that the differences in ideological issues will remain but Krasin does not think that they should be allowed to interfere with cooperation.

According to Krasin, the development of Pan-European cooperation requires a sense of reality which assumes that we do not expect the impossible from the European countries, such as severing their ties to the United States or shaking the "Atlantic" solidarity. He finds it equally unrealistic to demand that the east-European countries cut their relations with the Soviet Union and leave the organization of the Warsaw pact countries.

12956/09599

Move To Create 'Third CP' Seen Possible Catalyst for Unity

36500046 Helsinki HUFVUDSTADSBLADET in
Swedish 26 Nov 87 p 2

[Editorial by Bjorn Mansson; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] Bjorn Mansson wonders if the Kivisto-Kajanoja constellation in the presidential election and the plans within the "minority's minority" to form a new third communist party will be the catalyst that leads to a reuniting of the main communists forces.

The actions of the Communists and the People's Democrats prior to the presidential election are a good symbol of the crisis on the extreme left wing in Finland.

The Finnish People's Democratic League [DFFF] and the Finnish CP (the so-called majority), who did not stand behind their own candidate, Kalevi Kivisto, in the 1982 election and in the name of left-wing cooperation ensured the election of Mauno Koivisto in the very first electoral round, now feel, 6 years later, that the very same Koivisto needs a left-wing opponent. That candidate is none other than Kalevi Kivisto.

The so-called minority communists, who first opposed Kalevi Kivisto's candidacy before the last election but then supported him in the electoral assembly, now feel, 6 years later, that the same Kivisto is not good enough. They are backing Jouko Kajanoja.

Could it be worse? Maybe not, but that is where things stand.

Jouko Kajanoja's candidacy already seems predestined to be a total flop. This adds to the frustration within the minority communist ranks that must have been increasing lately even without it.

The minority's so-called Finnish CP(E)—with the "E" standing for "Unity"—and its election organization, Democratic Alternative (DA), are not united in support of Kajanoja. Some "Taistoites" are openly backing Kivisto, others, led by member of parliament Esko-Juhani Tennila, are content to "simply" express their sympathy for Kivisto and his Action'88.

Tennila's convictions are certainly sincere. He has already been criticized by TIEDONANTAJA.

Dissatisfaction with Kajanoja and sympathy for Kivisto have obviously prompted the return of some Taistoites to their paternal home, the Finnish CP/DFFF. It is also part of the picture that DFFF/Finnish CP and DA/Finnish CP(E) have been able to establish cooperation in parliament and in some organizations—regardless of the fact that as late as the Metalworkers Union elections they issued separate lists.

At the same time as DA/Finnish CP(E) has been losing people to DFFF/Finnish CP, its own small extreme left wing, "the minority within the minority," has taken serious steps to start carrying out its old plans to form a separate party. This faction, led by former member of parliament Markus Kainulainen, met over the weekend and elected a "central council" that constitutes the embryo of a new Marxist-Leninist party, as they put it.

Thus DA/Finnish CP(E) is fighting on two fronts, as TIEDONANTAJA openly admitted in an editorial yesterday.

The situation on the Finnish far left thus increasingly resembles the situation in Sweden, Denmark and several other West European countries. The Communist Party has spawned other parties and we are getting a series of party formations that are usually referred to in Swedish politics as acronym parties.

In addition to the Finnish CP and the Finnish CP(E), we will soon be blessed with a third communist party that we can call CP(ML) for Communist Party (Marxist-Leninist). In addition we have the two election organizations, DFFF and DA, which are both registered parties.

Apparently a nonsocialist, market-economy welfare state inevitably provides a crisis setting for its extreme left wing. When the "class struggle" has lost a large part of its traditional appeal and no longer refers to people's daily bread as it used to, people feel they can afford the "luxury" of devoting themselves to ideological quibbling.

The development of prosperity, from which the working class has not been entirely excluded, underlines the communists' problematic relationship to revolutionary and reformist development alternatives. Aren't the acronym parties a phenomenon of prosperity in a way?

Of course it is an oversimplification to think that party formation is solely the result of ideological differences—real or imagined. At least as far as Finland is concerned, it is also a question of political cooperation patterns, inflamed personal relationships, international contacts, etc.

The big question now is whether the Kivisto-Kajanoja constellation in the presidential election and the Kainulainen wing's party plans will be the catalyst that eventually paves the way for a reconciliation of the People's Democrats and the Communist main guard.

Finnish CP boss Arvo Aalto has already used both arguments when he welcomed the Taistoites "home." "Come as you are," was how his somewhat ingratiating but certainly insidious invitation went in a big spread in KANSAN UUTISEN's issue at the end of the week. In other words, no conditions.

At the same time it seems obvious that Arvo Aalto's personality is one of the obstacles to reconciliation—in the same way as Taisto Sinisalo's is on the other side.

Another even bigger problem is that Aalto's premise is that the Taistoites will return to the Finnish CP individually while Sinisalo's party group insists on some form of negotiation as a prerequisite. Aalto can hardly go along with something like that when he has so consistently inveighed against all factional formations.

Esko-Juhani Tennila, for his part, has called for a Finnish CP that would be a "new type of party," a kind of umbrella organization that does not try to unite all conflicting views at any price.

If there are many obstacles on the path of reconciliation, there is at any rate one strong incentive working in the opposite direction: in the current situation the communists must have realized in their hearts that things cannot go on like this.

On one point TIEDONANTAJA's analysis of the situation yesterday scored a direct hit: their political opponents are the only ones to benefit from the splitting of the far left. No political movement with any remnant of self-respect can tolerate such a situation in the long run.

From the viewpoint of the far left the continued split must seem even more tragic since the new patterns of political cooperation in our country could theoretically strengthen its niche on the political map.

The government coalition of the big left-wing party, the Social Democratic Party, and the political right could provide a welcome basis for a united left-wing opposition. The Metalworkers Union elections in the fall indicated that.

The real question is whether the Social Democrats could have afforded politically to start cooperating with the Conservatives if the People's Democrats/Communists had been strong and united. Naturally the Social Democrats also maintain their position with the support of their own man in the presidency and their strong grip on the various social power structures, but the split of the far left is also making a significant contribution.

If one agrees with Jan-Magnus Jansson that the nonsocialists lost their "golden opportunity" when the nonsocialist parties could not (would not/were not allowed to) form a government after the election, it is natural to point out that the People's Democratic-Communist left is now missing its golden opportunity in the same way.

The Social Democrats are profiting from this. The question is who loses—aside from the far left itself, of course.

06578

Stalinists Send Conciliatory Letter to Mainline Communists

*36170021c Helsinki HELSINGIN SANOMAT
in Finnish 12 Nov 87 p 9*

[Text] On Wednesday the Stalinists' Political Committee on Finland's Communist Party Unity [SKP Unity] sent a letter to the Communist Party, led by Arvo Aalto, proposing the organization of an unofficial meeting on cooperation.

The letter by SKP Unity refers to an international meeting held at the festival of the revolution where, among others, Gus Hall, the leader of the United States Communist Party, made an appeal for the unity of all of the dissolved communist parties.

Taisto Sinisalo, the leader of SKP Unity, participated in the meeting in Moscow where the focus was mainly on the problems of the survival of the human race and the global evolution.

According to the Stalinists, "the example of an international meeting is an invitation to us, Finnish communists, to collect our forces." The meeting showed the "vast possibilities of the dialogue and cooperation between the communists and other progressive parties," says the letter.

According to SKP Unity, the meeting of Finnish communists could be arranged as soon as possible and "cooperation and the collection of forces should be discussed openly." By Wednesday SKP had not yet had time to answer the offer.

12956/09599

Communist Party Following CPSU in Studying History Rewrite

*36170021d Helsinki HELSINGIN SANOMAT
in Finnish 12 Nov 87 p 9*

[Text] Finland's Communist Party [SKP] Digs Into Past

Following the example of its big brother party, SKP is beginning anew to study its own history. CPSU is currently digging into the forgotten white spots of its history. On Wednesday the SKP leadership gave the party officials the task of preparing a presentation on a revised history. "In the same context, it is also necessary, through a more thorough study of the archives, to shed light on the phases of history which have remained in the dark," says the resolution. It will be interesting to hear, among other things, a new evaluation of the origins of the Winter War and the Terijoki cabinet.

12956/09599

NORWAY

Conservative Party Gains Almost 4 Percent in Poll

*36390018a Oslo AFTENPOSTEN in Norwegian
21 Nov 87 p 12*

[Article by Paul Einar Vatne: "Conservatives Advance Sharply"]

[Text] There were some major shifts in Norges Markedsdata's political barometer for October: support for the Conservatives increased almost 4 percent, while both the Labor Party and the Progressive Party fell in the polls.

The survey was conducted from 12 October to 9 November. The following question was put to 1,260 persons over the age of 18: "If parliamentary elections were held tomorrow, which party would you vote for?"

The barometer revealed the following results, with the September figures in parentheses:

Socialist Left Party (SV) 6.4 (7.0), Labor Party (A) 36.4 (38.3), for a total of 42.8 percent.

Center Party (S) 6.9 (6.1), Christian People's Party (KRF) 7.8 (8.1), Conservative Party (H) 26.6 (22.8), Progressive Party (FRP) 10.3 (12.4), for a total of 51.6 percent.

Liberal Party (V) 3.4 (3.6), Liberal People's Party (DLF) 0.4 (0.1), the Red Election Alliance (RV) 0.7 (0.8), and the Norwegian Communist Party (NKP) 0.6 (0.1).

The barometer shows that the two socialist parties in parliament received 2.5 percent less support, while the nonsocialist parties in parliament advanced by a total of 2.2 percent.

09336

Conservative Leader Speculates on Minority Government

36390018c Oslo AFTENPOSTEN in Norwegian
26 Nov 87 p 2

[Article by Hans C. Erlandsen: "Possible Pure Conservative Government"]

[Text] The Conservative Party is now airing the idea of forming a minority government alone if the Center Party does not change its position on the government issue. Conservative Party chairman Rolf Presthus said during a speech yesterday evening before the annual meeting of Raelingen Conservatives that the party could not avoid discussing the possibility of a credible nonsocialist governmental alternative.

Presthus pointed out that election experts and Professor Henry Valen had recently asked if the Conservative Party, as a possible minority government, could not do at least as well as a Labor Party minority government.

"Of course, Prof Valen cleverly avoided answering his own question," Presthus said. "The question of a credible nonsocialist governmental alternative will probably become more urgent the closer we come to the parliamentary elections of 1989," the Conservative chairman said.

Rolf Presthus said from the outset that the Conservative Party would work toward broad nonsocialist cooperation, but he added, "There will be no new three-party coalition on a common political basis until the Center Party changes its position from last spring and agrees to cooperation."

"In my opinion, the task of the Conservative Party is clear. It is to make the Conservative Party the cornerstone of a nonsocialist alternative. Whether we do this alone or in cooperation with other parties is a secondary issue. The decisive factor is that a nonsocialist alternative must be a credible guarantor for the change of course that is now needed," said Presthus, who is optimistic about the prospects of the Conservatives. He believes the party will act like a magnet for the majority of voters who are not socialists and who are looking for a credible governmental alternative.

The theme of the party chairman's speech was principles for modern Conservative policies for the future. Considering the liberal-conservative foundation of the Conservative Party, this means building policies on two twin pillars: freedom of choice and social responsibility. This means rejecting both the Progressive Party's fear of solving problems jointly, when this yields the best results, as well as the antiquated socialist policies of the Labor Party.

"More than ever before, we need solutions that will utilize the best of both the public and the private sectors," Presthus said.

"The three main challenges of the immediate future will be: developing a long-range strategy for economic growth; modernizing the public sector; meeting the demands of women and men for the right to participate on an equal footing in professional and social life."

With regard to modernizing the public sector, Presthus said that private interests should be allowed more opportunity to participate in education, healthcare, pre-schools, care for the elderly, and culture. Public resources must be better utilized. This can be done, for example, by delegating responsibility and budget authority to the individual school, the individual hospital ward, etc.

The Conservative chairman said that provisions must be made for more flexible working hours, including the possibility of a "work-time bank" where the individual could select a combination of work, household chores, and free time. Rolf Presthus also advocated constructing more childcare facilities, both public and private.

09336

Progressive Party Leading Among Males Under 30
36390018d Oslo AFTENPOSTEN in Norwegian
27 Nov 87 p 3

[Article by Paul Einar Vatne: "Progressive Party Has Become the Young Men's Party"]

[Text] The Progressive Party now enjoys more support among men under 30 years of age than the Labor Party and now appears to be the young man's party more than ever before, even though last fall the party made a strong breakthrough with older voters, both men and women.

It was not the economically disadvantaged who shifted over to the Progressive Party in the fall elections. On the contrary, it was those who are doing better, who expect to do better, and who believe the country's economy has improved recently.

This was indicated by a study on voter changes undertaken by the Institute for Social Research and the Central Bureau of Statistics. The figures are based on information from a sampling of 1,701 persons between the ages of 20 and 81.

The election study shows that from 1985 to 1987, 36 percent of the voters changed their views, either by changing their party or by joining or leaving the group of those who stayed home on election day.

The greatest stability is found in the Labor Party, where 71 percent of the voters in 1985 stuck by their party in 1987. Next in line are the Christian People's Party with 69 percent, the Progressive Party with 65 percent, and the Center Party with 62 percent. Only 60 percent of the Conservative Party's 1985 voters voted for the Conservatives in 1987. The lowest level of stability was found in the Socialist Left Party with 45 percent and the Liberal Party with 51 percent.

Lost Most

The Conservative Party failed to gain a positive exchange with any other group in 1987. The party lost the most support to nonvoters and to the Progressive Party, but also lost voters to the Labor Party. Based on those who voted for the Conservatives in 1985, 16 percent of these voters stayed home in 1987, 13 percent voted for the Progressive Party, and 4 percent went over to the Labor Party. This means that 100,000 Conservative Party voters went over to the Progressive Party.

The Labor Party had its greatest gains from the Conservative Party and also took some voters from the Center Party, but it lost the most voters to the nonvoting group. In 1987, 18 percent of the party's 1985 voters stayed home. The party also lost voters to the Progressive Party: 4 percent (40,000 persons) of the Labor Party's 1985 voters. The Progressive Party, in turn, lost voters to no

other group and had its greatest gains at the expense of the Conservatives and the Labor Party. One fifth of the Progressive Party's voters last fall voted either for the Labor Party or for the Socialist Left Party in 1985!

The following groups are those that went over to the Progressive Party from the Conservatives: men, young voters, people living in the Oslo Fjord region, inner Ostland, and on Vestland, and white-collar workers in private business. Groups of Conservative Party voters who went over to the Labor Party include the following: women between 31 and 50 years of age, people living in the Oslo Fjord region and on Vestland, employees in primary industry, and people with a low level of education. Was a negative attitude toward immigrants an important factor in the advance of the Progressive Party?

Immigrants

The election study shows that the migration to the Progressive Party was clearly greater among those with a negative attitude toward immigrants than among those with a positive attitude. Nevertheless, it was other questions that were of greater importance in their change of party support. The greatest number of those who left the Conservative Party to go over to the Progressive Party were opponents of foreign aid. Most of those who left the Labor Party for the Progressive Party oppose equality between men and women. The study clearly showed that the voters who abandoned the Conservatives in favor of the Progressive Party differ from staunch Conservative voters in that the former are more negative toward matters of national and international welfare and solidarity.

Was last fall's election a protest election characterized by distrust of politicians and of the political system? The election study showed that there is more reason to say that the answer is apathy rather than protest.

09336

Former Chairman Rebukes Party for Dividing Nonsocialists

36390018b Oslo AFTENPOSTEN in Norwegian
25 Nov 87 p 2

[Editorial: "Kristiansen's Warning"]

[Text] When Kare Kristiansen appeals to his fellow party members through an AFTENPOSTEN article "in the utmost gravity and in great despair," the leadership of the Christian People's Party should understand that the situation is critical. The message of the former party chairman is simple and easy to understand.

It is still by committing to a nonsocialist coalition government that the Christian People's Party will be able to implement the policies that are "near to its heart." Consequently, the party should make every effort in this direction—and avoid the loss of support it would otherwise face.

No one can accuse Kristiansen of mincing his words. For our part, we have attached no significance to Kjell Magne Bondevik's attempts to depict our reports of the many other words of warning from prominent members of the Christian People's Party as an orchestrated campaign under our leadership. Nevertheless, we will not hide our pleasure now that Kristiansen has confirmed the fact that we have placed the party's problems in the proper perspective. If nothing else, this has paved the way for a more orderly debate.

The zeal with which Kristiansen is now making his desperate attempt to make his views known indicates that, unfortunately, he has been speaking to deaf ears so far. It may also further Bondevik's understanding of the actual political situation when he sees his predecessor tell the entire nation that "large groups of our voters are concerned" by the question of where the party will stand when it comes time to choose sides.

In an earlier interview with AFTENPOSTEN, Kristiansen warned against operating with a pattern of ideal cooperation in theory, but a totally different pattern in carrying out practical policies. As he has pointed out quite correctly, this is a dilemma that threatens to destroy the party from within.

If we remember correctly, Bondevik was given the nod as party chairman over Kristiansen because Bondevik was seen as the man who could save the party's soul in a difficult situation. As we know, the result was that in 1981 the Christian People's Party refused to join the three-party nonsocialist coalition government, which would have been the obvious consequence of the election outcome.

Two years later they realized they were on the wrong track and followed the Center Party into the expanded government. Today they are facing a choice once again. Unlike the young maiden in Hermann Wildenvey's "February Dialogue," the Christian People's Party cannot "choose not to choose." For the time being, at least, the Center Party's position precludes a three-party coalition government, but we agree with Kristiansen when he points out that this should not prevent the Christian People's Party from speaking and acting clearly and unambiguously with regard to the government question.

We regret that the chairman and the rest of the party leadership have not yet realized this, but it is never too late to lend an ear to a desperate critic who "knows where the shoe pinches."

09336

SPAIN

Internecine Tendencies, Maneuvers in Communist Parties

35480051b Madrid EPOCA in Spanish
4 Jan 88 pp 20-22

[Article by Luis Herrero]

[Text] All indicators point in the same direction: a crisis in the Communist Party (PCE). Gerardo Iglesias is being stabbed with pins in secret voodoo sessions. The warnings that the "old guard" must step down are becoming increasingly frequent. Curiel's abrupt departure has left the party's most critical flank without a wall of defense. The party's debts threaten to bankrupt it, and the public believes that its 12th Congress, set for February, will be the altar of a bloody sacrifice. But the turbulence, in spite of everything, is only superficial. The deep waters of the PCE "fishbowl" remain relatively calm; the waters of the river will not be bloodied.

Gerardo Iglesias has described it this way: "After many years of tension, finally we are going to have a tranquil congress." Apparently, it is the logic of paradox. No one who was not either stupid or privy to some inside information would have the nerve to predict a tranquil congress, given the circumstances. Iglesias is not that stupid. On the contrary: For the first time since he landed in the position of leader of the left, the situation appears to be under his control. In a few days he has managed to avoid the risk of an almost certain ouster. Chances are that from now on no one will challenge him as general secretary of the party until the congress of 1990. This is because some have pledged not to challenge him (Sartorius and Anguita, for example), and others (like Curiel or Perez Royo) know in advance that they have lost the battle. The latter, in fact, have beat a retreat amid great fanfare. The list of fugitives is more noteworthy than dangerous: Curiel, Perez Royo, Kindelan, Buhigas, Pla, Setien, and Sanchez Montero have publicly announced their desire not to be part of the executive bodies to be elected at the 12th Congress. Although they are in the foremost ranks, it would be unfair to lump them all together. Setien and Sanchez Montero, for example, have expressed for some time their intention of retiring to private life. Their departure has little to do with political intrigue. As for the others, they are part of a minority which has proven incapable, without additional support, of seizing power in an assembly battle.

Nicolas Sartorius

Curiel has always known it; that's why months ago he tried to link up with the only man in the party who has the strength to remove Iglesias from the helm of the Communist Party. Nicolas Sartorius, however, said no. And Gerardo Iglesias heaved a sigh of relief. A short time later he acknowledged privately, "only Nicolas could

have ousted me." The die was cast. Julio Anguita had withdrawn before the battle for succession. The obstacles to Iglesias' remaining in power were gone.

The fact that the wind is blowing in Iglesias' favor does not mean that the PC general secretary has bolstered his position within the party. Critics of his leadership—who forced him to step down a few months ago during a meeting of the Central Committee—have not yielded at all. The fact that only the most hostile adversaries are voicing their opposition does not mean that the rest of the membership has changed its mind. Anguita and Curiel know full well, as they have stated in the most intimate discussions, that a change at the top is necessary for the revitalization of Communism. They disagree with Curiel primarily on the timetable of the strategy. Sartorius would like Julio Anguita to land the general secretary's post, but at the same time he feels that it would be premature to force that move at this point, when internal problems would cause the successor to suffer inevitable and unnecessary wear and tear. For him, therefore, the first priority is to resolve all of the pending controversies (financial debts, Communist unity, coalition policy) before proceeding to the succession issue. Iglesias, for his part, appears to have accepted the plan. He will serve out one more term in order to prepare the way for 1990. He will stop knocking himself out over the issue. Sartorius, in any case, has also taken the necessary precautions to make sure the plan does not go awry. In exchange for allowing Iglesias to remain, he has obtained two basic quid pro quos from him: first, that the congress will vote for a change in the bylaws to make it mandatory for the general secretary of the party to step down as soon as he has completed three consecutive terms (thus, Gerardo Iglesias will not be able to remain at the head of the party for more than 2 years after the upcoming congress); and second, that the possibility of holding an internal referendum of party members to annul any important decision be made a part of the PCE's organic life. In this way, Sartorius is limiting Gerardo Iglesias' ability to guide the party's strategy through any channels other than those provided in the bylaws. The general secretary will be a prisoner of the majority. And the majority, as he well knows, is against him.

Julio Anguita

This strategy has not convinced the "Curialist" sector, in spite of everything. In the first place, Curiel himself aspires to become the next general secretary, and is not resigned to turning all power over to Julio Anguita without a fight. And in the second place, he fears that if Gerardo Iglesias remains at the head of the Communist apparatus for 2 more years, he may end up destroying the party's chances for winning the elections. "The lack of leadership," he declared last week, "will lead us to disaster." His decision to withdraw from positions of responsibility, for all these reasons, is consistent with his thinking. He is washing his hands of everything and retreating to winter quarters, although of course he has not abandoned his seat in the Congress of Deputies.

Other men of his caliber have adopted much more radical positions. For example, Jose Luis Buhigas, who is in charge of the party's Defense Committee, has threatened to leave the PC if Gerardo Iglesias serves another term as general secretary. This extreme position is not, at any rate, shared by many others.

Julio Anguita, meanwhile, could not take a more cautious stance. When he is asked about Gerardo Iglesias, he merely responds that "I don't like to talk about men, but rather contents, projects, methods, and organization. A good sector will have to be placed at the head of that. The leader is the one who collectively presents that project and that idea. I think it is more important to engage in a debate of ideological clarification and a project, not with a leader, but with a team. Lenin would have gotten nowhere without a team."

This fixation on teamwork (which implies a tacit recognition of deficiencies in the leadership) has crystallized in a new pact whereby Gerardo Iglesias agrees to reorganize the party leadership by creating a team of 15 persons led by Nicolas Sartorius, Julio Anguita, and Felipe Alcaraz, in addition to Iglesias. This proposal, which must be given final approval by the congress, will first be debated at the next meeting of the Central Committee, right after the Christmas holidays. No one doubts that the initiative will win unanimous backing from the Communist leaders. Thus, Gerardo Iglesias is voluntarily submitting himself to the tutelage of the most significant "barons" of the PC, aware that he needs their support to remain at the head of the general secretariat. The only condition for opening the floodgates of unity is that a general consensus be reached. He is not willing to tolerate any more internal resistance, and he has announced categorically that he will abandon the helm if 20 percent of the delegates at the congress vote against him, or if any alternative candidate emerges. None of these outcomes appears likely, however. The triumvirate composed of Iglesias, Sartorius, and Anguita is, in fact, unbeatable. Enrique Curiel is well aware of this, and this is why he has decided unexpectedly to withdraw from the picture.

His position assured, Gerardo Iglesias now faces the most important challenge of his term: Communist unity.

Communist Unity

In the last few weeks there has been a growing feeling within the party that unity is an attainable objective. The talks with the Communist Party of the Peoples of Spain, led by Ignacio Gallego, and with Santiago Carrillo's Party of the Workers of Spain are well underway. The obstacles to reaching an agreement with the latter, however, will be difficult to overcome. Carrillo is demanding as a precondition that the United Left (IU) disappear from the scene, but no PCE leader wants this to happen. If Carrillo were to drop his demands, Iglesias would be willing to accept him back into the fold. In spite of everything, he does not stay awake nights worrying about

this issue. In fact, the talks with some of the "old lion's" aides are moving along "absolutely smoothly," according to sources close to Gerardo Iglesias. If this assertion is true, a schism in Santiago Carrillo's political organization appears to be a likely possibility. In that case, some of his followers might agree to be taken back into the orthodox PCE, setting aside their loyalty to the historic leader of the left. This hypothesis does not, however, change Carrillo's position. He remains inflexible in his insistence that the first condition for unity discussions must be the disappearance of the United Left, an electoral coalition he terms "of little use." In keeping with this stance, Carrillo rejected just last week Alonso Puerta's offer to have him join the IU through the PASOC. Carrillo's objective, as he has just declared, is "to ensure that the PCE plays the same role in Spanish politics as it used to. For this reason, we are going to propose a new meeting among the leaders of the three families to make it clear that we Communists must go into the 1989 elections united behind a single candidate." In Carrillo's view, the political moment is right for achieving the desired unity, "because the Spanish Socialist Workers Party (PSOE) is losing votes on the left, and it no longer has the deciding vote, given the current situation of the Popular Alliance."

Survival of United Left

Sources close to the PCE leadership have indicated that Carrillo's proposal for the leaders of the three Communist families to meet will probably not be heeded by Gerardo Iglesias, who is determined not to threaten the survival of the United Left. The electoral usefulness of this coalition may become apparent, in the opinion of the PC general secretary, in the next general elections. The latest opinion polls, guaranteed accurate by the CIS, indicate that if the elections were to be held today, the IU would obtain between 9 and 10 percent of the valid votes, which would translate into a parliamentary representation of 16 or 17 deputies. This figure is very close to what Carrillo's left won during the first legislative sessions of the transition period.

08926

Movement Reported in Center, Right for AP Changes

35480052b Madrid YA in Spanish 5 Jan 88 p 5

[Text] Madrid—Last month, individuals from the center and right without current political affiliation made various contacts to devise an offer from the center and right that would pose an alternative to socialism. The two most prominent persons in this initiative are Marcelino Oreja and Rodolfo Martin Villa.

During the past month, persons associated with these two politicians held meetings, which on some occasions were regular dinners, with Antonio Hernandez Mancha

and Arturo Garcia Tizon, president and secretary general of AP [Popular Alliance], respectively; with Javier Ruperez, president of PDP [Popular Democratic Party]; and with various leaders from regional parties.

Agglutination

According to completely reliable sources, Rodolfo Martin Villa upholds the proposition that "it is impossible to attempt to form new parties," something that would be a divisive effort. Martin Villa favors the conversion of Popular Alliance into a kind of revised group, which might include the agglutination of Christian Democratic and liberal leaders, on both the national and provincial levels. According to the former interior minister, this operation would require a change of image for Popular Alliance, which might entail an extensive revision process, including a change of name.

According to sources present at the meetings, Marcelino Oreja, for his part, upholds the theory of a convergence of forces in which regional parties, as well as Christian Democrats and former UCD members, would join, and which might later form a coalition with Popular Alliance. Marcelino Oreja conveys the notion of a distancing from European conservative proposals, and a Social Christian or Social Democratic action in the economic realm. Oreja's proposition is burdened by the lack of a definitive European association for Popular Alliance, as well as the rise of the regional parties; changing the original theory that it was the left which was tending toward federalization, while that process has been occurring among the right.

Herrero, Judicious

The same sources explain that, in the meetings held with Miguel Herrero de Minon, the latter appeared "very cautious and judicious, satisfied with the progress of his office and his speeches in Congress on foreign policy." As for Javier Ruperez' PDP, it is said to be receptive to extensive types of coalition. In the case of the meetings with the Popular Alliance leaders, Antonio Hernandez Mancha and Arturo Garcia Tizon, the latter evinced on several occasions interest in a potential integration with the European Christian Democratic group.

Insofar as internal Spanish issues are concerned, the AP leaders have always been willing to talk; although, according to those with whom they have spoken, they seem to rely heavily on regional power and a meager maneuvering capacity. The same sources explain that "there has been no discussion with Jose Maria Aznar, who is engaged in his job, doing it well; and that is where he should remain."

The politicians interested in expanding the offer of the alternative fear that Popular Alliance may exclude itself from potential agreements, end its contacts with the European Christian Democratic group, cutting off sources of financing, and hold a convention during the

first quarter of the year for the purpose of proclaiming Antonio Hernandez Mancha as a candidate for the position of prime minister of the government; something that would seriously hamper any negotiations. The same sources believe that this proclamation might be intended to preclude internal movements in Popular Alliance or future battles for the leadership.

2909

SWEDEN

Latest Poll: SDP Advances, Conservative Party Retreats

36500031a Stockholm DAGENS NYHETER in Swedish
15 Nov 87 p 6

[Article by Dick Ljungberg: "Uncertain Support for Greens"]

[Text] The Social Democrats advanced and the Conservatives fell in the latest DN/IMU [DAGENS NYHETER/Institute for Market Research] voter barometer. Advances by the Environmental Party of the Greens seem to be resting on shaky ground.

The survey was taken from 12 October to 4 November, when 945 persons were interviewed during visits to their homes.

During the survey period, the Liberal Party had just concluded their congress. The Conservatives had just finished their party congress in Malmo, which was seen as a breakthrough for party leader Carl Bildt. Justice Minister Sten Wickbom had been forced to resign in the wake of the Bergling affair.

No Election Prediction

In a supplementary survey, IMU also examined whether or not those now indicating their choice of "best party" were certain they would vote for that party in September 1988.

It was found that the number of Environmental Party supporters who are certain they will vote for that party is extremely low at 44 percent, compared to 77 percent on average for the other parties. This is a useful reminder that opinion polls show only sympathies for the various parties today and are not election predictions.

Results for October, with the changes from the September results in parentheses, are presented below. None of the changes are statistically significant:

Social Democrats (S) 41.5 percent (+1.5), Conservatives (M) 18.5 percent (-2.5), Center Party (C) 9.0 (+1.0), Liberal Party (FP) 15.5 (+0.5), Left Party Communists (VPK) 4.5 (unchanged), Christian Democratic Party

(KDS) 1.0 (-0.5), Environmental Party of the Greens 9.5 (-0.5), and others 0.5 (+0.5). Only 4.0 percent indicated that they could not or would not say which they thought was the best party.

This means that the balance between the blocs in parliament is now 46 percent for the socialists and 43 percent for the nonsocialists.

Uncertain Increase

Ever since May 1986 and the high opinion poll figures following the murder of Olof Palme, the Social Democrats have noted a decline in every IMU poll. Last time they were down to 40 percent and the party has not dropped below that magic number since February 1986. Now, despite the turmoil over the escape of the spy Bergling, they have risen by 1.5 percent to 41.5. More polls will be needed to determine whether or not this represents a break in the trend.

Weak VPK

In the long-term trend, a sliding average over the seven most recent polls, the government party is at about the same level as before, 41.9 percent, but it still has a way to go before reaching its 1985 election results of 44.7 percent.

Its supporting party, VPK, is still hovering around the 4.5-percent mark, i.e. dangerously close to the 4-percent cutoff for representation in parliament. At present, the Communists are making an extremely weak impression. The split following the party congress last spring has taken its toll and party leader Lars Werner has become more and more invisible.

On the other half of the political playing field, uncommitted nonsocialist voters are jumping back a forth from party to party, as usual. The Conservatives, who rose by 3 percent in the last poll, now dropped back by 2.5 to 18.5 percent. Thus, the relative strength of the nonsocialist parties in the IMU polls has been restored to its previous order, with the Conservatives under their election results of 1985 and the Liberal Party clearly over theirs.

Stabilization

The Liberal Party has been falling in the IMU polls since last spring, but is now believed to have stabilized at over 15 percent. In the long-term trend, the party is at 16.6 percent, compared to 14.2 percent in the last elections. The Conservatives have a long-term figure of 18.3 percent but received 21.3 percent in the elections. According to Carl Bildt, the party's goal is to achieve about these same results in the 1988 elections.

Olof Johansson has failed to get the Center Party moving, even though the party leadership is now making a genuine effort to present its message through the mass

media. In the previous opinion poll the Center Party lost a whole 3 percent, falling below the Environmental Party, although it now has regained one of these lost percentage points. In its miserable election showing in 1985 the party received 10.1 percent of the votes, excluding KDS voters. In the long-term trend, the party is now at the 9.9 percent level.

Greens Down

For the first time since the fall of 1986 the Environmental Party of the Greens has suffered a slight decline of 0.5 percent in the IMU polls. The breakthrough for the Greens came with the Chernobyl accident in 1986. Since then the party has risen sharply in the polls, to a top figure of 10 percent in September.

In the past, the Environmental Party has been high in the opinion polls, only to fall far below the 4-percent limit in the elections. This danger remains today, according to IMU's special study on voters' inclination to vote.

During the past 6 months about 65 percent of respondents who indicated that the Environmental Party was the "best party" also stated that they were certain they would vote for that party in future elections. In October, this figure dropped dramatically to 44 percent. This means that the Environmental Party can by no means be certain of entering parliament and, consequently, in the election campaign they will once again have to counter talk about "wasted votes" in the contest for government power.

The question of who will benefit from those voters who now support the Environmental Party, but who may not actually cast their votes for that party in the election, could be decisive in the final results of the election.

In other areas, the special study showed that VPK has the highest number of supporters certain to vote for them in the elections, at 86 percent. The figure for the Conservatives was 84 percent, while it was 83 for the Social Democrats, 78 for the Center Party, and 72 percent for the Liberal Party. Uncertainty among the voters has generally remained unchanged during the past 6 months, with the parliamentary parties around 75 percent and the Environmental Party at about 65 percent.

	Voter Opinion					Long-term Trend OCT 1987
	OCT 1987	SEP 1987	MAY 1987	APR 1987		
Number of Interviews	945	898	908	941		
Percent supporting:						
Social Democrats	41.5	40.0	40.5	42.5		41.9
Conservatives	18.5	21.0	18.0	18.0		18.3

Voter Opinion

	OCT 1987	SEP 1987	MAY 1987	APR 1987	Long-term Trend OCT 1987
Center Party	9.0	8.0	11.0	9.0	9.9
Liberal Party	15.5	15.0	16.5	17.5	16.6
VPK	4.54	4.0	4.5	4.4	
KDS	1.0	1.5	0.5	1.0	1.0
Environmental Party	9.5	10.0	9.5	7.5	7.5
Others	0.5	0.0	0.0	0.0	
	100.0	100.0	100.0	100.0	

Cannot/Will not
Indicate "Best Party" 4.0 5.0 4.0 5.5

The interviews were conducted from 12 Oct to 4 Nov 1987.

The Social Democrats, who had noted a drop in every poll since May 1986 now show an increase of 1.5 percent. The Conservatives, on the other hand, dropped by 2.5 percent. Figures for the other parties are generally unchanged.

All changes from the poll before last to the latest poll are within the statistical margins of error.

Changes between two successive polls should be interpreted with great caution, unless they are statistically significant. Instead, changes over the three most recent polls or the long-term trend should be observed.

The statistical margins of error for any individual poll are as follows: 3 percent for S, about 2.5 percent for M and FP, about 1.9 percent for C, and about 0.7 to 1.5 percent for the other parties.

The long-term trend is calculated as a sliding average over the past seven polls.

The polls were conducted with a nationwide representative sampling of Swedish citizens between the ages of 18 and 74 years. The interviews were conducted during visits to the respondents' homes. The question asked was: "Which party do you believe is best?" The respondents expressed their preference by using "ballots" and "ballot envelopes."

09336

Parliament Approves New Policy on Visits by Nuclear-Armed Ships

36500031b Stockholm DAGENS NYHETER in Swedish
12 Nov 87 p 12

[Article: "New Line Against Ships With Nuclear Weapons"]

[Text] Parliament decided on Wednesday that the government should work in the international arena to make the nuclear powers abandon the practice of neither

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confirming nor denying the existence of nuclear weapons on board visiting ships. This problem has come up numerous times at Swedish harbors.

This position by powers with nuclear weapons does not create trust between states, thereby reducing the value of friendly contacts, such as those possible during visits by

foreign fleets, according to parliament. The Conservatives expressed reservations against the decision, saying it was possible to assume that Sweden's ban on bringing nuclear arms into port was being respected.

09336

DENMARK

SDP Demanding Zero Growth, Support for 'Zone'

Auken Rejects Increased Funding

36130035b Copenhagen BERLINGSKE TIDENDE
in Danish 10 Dec 87 p 5

[Article by Ole Dall: "Auken: Defense Compromise Only With Zero Solution"]

[Text] The Social Democratic Party is insisting with growing force that defense will not get more money.

If the government wants to have a defense compromise with the Social Democratic Party, then there are no other possibilities but a zero solution.

Social Democratic Party Chairman Svend Auken asserts this the day after his party entered into an understanding with the government concerning economic items.

"A defense compromise in 1988 that is tailored to the security policy situation will be an obvious advantage," says Auken, who is thinking over taking part in the concluding phase of the negotiations.

A zero solution in the area of defense means the same outlays as now, but with routine wage and price adjustments. The government wants 400 million kroner extra for defense the first year. Although both the Social Democratic Party and the government are inclined toward keeping expenditures for new fisheries protection vessels outside the defense compromise's budget, Defense Minister Bernt Johan Collet (Conservative Party) still characterizes a zero solution as "not at all satisfactory."

He reports that the negotiations will continue for a week and then be resumed after the New Year. At this point a Defense Ministry panel will be finished with a report on the use of draftees in the navy and air force.

"We hope and have reason to believe that the reports will show that the training of draftees in the navy and air force can be organized in such a way that money will be freed," says Defense Spokesman Hans Haekkerup (Social Democratic Party), who, among other things, wants to use the money saved to take in more draftees.

Forced Yield on 'Zone'

36130035b Copenhagen BERLINGSKE TIDENDE
in Danish 10 Dec 87 p 5

[Article by Susanne Hegelund: "Government Again Instructed in Security Policy"]

[Text] Today the Folketing [Parliament] is passing a Social Democratic resolution that, among other things, instructs the government to work for making the North and the Baltic a nuclear-free zone.

In a three-hour-long inquiry debate yesterday, the government once again had to recognize the fact that it has a Folketing majority against it as far as security policy is concerned.

The Social Democratic Party, Socialist People's Party and Radical Liberal Party are today passing a resolution from the Social Democratic Party, against the backdrop of a debate concerning security in the regions around the Arctic Ocean, Barents Sea, Norwegian Sea, Greenland Sea and North Atlantic.

It "instructs the government to support consultations between NATO, the Warsaw Pact and the neutral Nordic countries concerning limiting the military buildup in northern ocean areas. The Folketing, in this connection, acknowledges the desire to make the North a nuclear-free zone, which, via an appended agreement, also includes the Baltic."

The ruling parties could not support the SDP resolution in the debate yesterday, and a Socialist People's Party resolution also did not receive support. Foreign Affairs Minister Uffe Ellemann-Jensen (Liberal Party) referred to the fact that the SDP resolution would restrict the geographical area for the Nordic officials committee that is working on the North as a nuclear-free zone.

Ellemann could also not support Soviet Leader Mikhail Gorbachev's Murmansk speech about limiting military activity in North European ocean regions. "The proposal does not include the Barents Sea and Arctic Ocean, which will remain 'protected' exercise areas for the Soviet North Fleet," the foreign affairs minister thought.

The ruling parties themselves submitted a milder resolution. But it won sympathy only from the Progressive Party. The proposal called on the government to work further on the European level for further agreements concerning arms control and arms reduction, and for the promotion of human, cultural, scientific, environmental and economic relations between the East and West.

Anette Just (Progressive Party) called this the "three M's": menneskerettigheder [human rights], miljø [environment] and militaer [military].

8831

Norwegian Security Expert on Effect of FRG, French Ties

36130035a Copenhagen BERLINGKSE TIDENDE
in Danish 2 Dec 87 p 13

[Guest Commentary by Arne Olav Brundtland, president, Norwegian Foreign Policy Institute: "The French-German Necessity"]

[Text] If one does not believe in the social democratic model, a military alliance between France and the FRG is a necessity in European security policy of the future. But is this enough for Norway and Denmark?

It is still the case that West Europe's security is closely tied together with the USA's superpower status. The basis has been West European economic weakness and security policy impotence. This has come under a change.

West Europe has recovered economically and is vital in foreign economy terms. West European great powers—France and Great Britain—which also regard themselves as dependent on American nuclear assurance, have themselves become nuclear powers.

NATO is a kind of defense policy savings bank for its individual member countries. They have come together partly because they cannot solve their security problems alone by themselves, and partly because common solutions are less expensive. It is therefore not strange that the USA, as the strongest economically and militarily, has all the time been worried that West Europe will arrogate to itself a kind of free ticket at the American taxpayers' expense. Less emphasis is placed in the American debate on the fact that the contributions the West European countries have made for their own security also benefit American security. But if one digs a little beneath the surface in Washington—I was there on a round of interviews in May of this year—one finds solid recognition of the fact that NATO is also in America's interest. West Europe would die if the Soviet Union stood at the Atlantic, but the USA could not live with such a state of affairs either.

The debate concerning the sharing of the load is intertwined with the debate concerning foreign policy leadership. The American perspective is often marked by expectations of European political support as quid pro quo for American military assurance. Under any circumstances, it is obvious that the alliance's problems require continuous attention. It is natural that the West European recovery and the West European political community of interests must be reflected in the form of a stronger West European security policy role. Up to now this has taken place, with the exception of France, within the framework of NATO: The challenge is still to give West Europe greater importance in the Atlantic alliance. This is challenge number one. But challenge number one also encounters ideas—especially on the left in West European countries—concerning a detente perspective in relations with the Soviet Union and East Europe, which goes further than what transatlantic agreement can be formed on.

The most extreme form is the social democratic challenge. In unvarnished form, it comes from the Labour Party. In a more manicured form it bears the stamp of the West German SDP. According to this way of thinking, one to varying degrees ought to tone down or even withdraw from the nuclear realities. In today's arms reduction situation, the left is more in line with Reagan than the right is.

The strength in the Social Democratic ideas is first and foremost faith in the allure of the Western democratic system and the market economy, or, perhaps more correctly, the Western social mixed economy. West Europe is a magnet to the peoples in East Europe, where they want a system that can produce necessities.

The problem for the social democrats is whether they can convince a majority in their respective countries that detente on these premises can be conducted with a sufficient degree of certainty concerning military deterrence. One is reminded of Dennis Healy's theory: The important thing is not whether we are sure that the Soviet Union is deterred, but whether the Soviet Union is sufficiently unsure that military aggression is not profitable.

A problem at and to the right of the center in West European politics is that, whereas the Eastern countries are vulnerable because of their anxiety about the ideological allure in Western systems, the Western countries' leaders are anxious about possible lack of public support for the Western countries' defense budgets. The anxiety is greater in the USA than in West Europe, and therefore represents a transatlantic problem.

Will West Europe conduct an East European policy on the basis of a security policy that is not solvent militarily speaking?

This is challenge number two.

The West European conservative tradition is based to a greater degree than the social democratic on a military policy orientation with a higher armament profile. The fear that American assurance will not be solid enough runs in parallel with a desire to count somewhat more strongly on one's own military forces. A main reason for both the British and French national nuclear force is that they do not want to be left in the lurch by the USA in a crisis situation. At any rate, these two West European national nuclear forces will be able to function as a primer for American retaliation against a Soviet attack that otherwise would not have been triggered off with an American Western nuclear monopoly. This idea is present, partly beneath the surface, in British thinking. It is obviously dominant in French thinking. It was not weakened after Reagan's frank arms reduction proposal after Reykjavik. The statement from the West Union's foreign ministers in October stressed the value of Western nuclear weapons in West Europe, and especially West European nuclear weapons, as a basis for deterrence and security.

Great Britain and France act as the exponents of different West European central points in the security policy debate. But neither the British, who base themselves on a pro-American solution, nor the French, who are fond of calling themselves "European," can carry it out without West German assistance.

West Europe's security policy future is thus a question that will be decided to a considerable degree by the course chosen by West Europe's economically strongest country, which, moreover, for good or evil, has West Europe's most sensitive location from the military strategy viewpoint, i.e., the Federal Republic of Germany.

If a security policy alternative to NATO is to be gotten on "conservative" premises, it can be realized only through the further growth of German-French cooperation. This is an alliance that is a subject for the greatest attention. Considerable linking together of German and French military training and exercises is taking place at present. Progress is being made in bringing France and the FRG closer together militarily also in the air. The big German-French joint exercise earlier in the fall took place without either the NATO secretary general or NATO's supreme commander in Europe having been invited. Yes, it was decided that they would not be invited to the exercise.

There are many military strategy problems France cannot solve without an alliance with the FRG. But nevertheless the FRG also has an American option via NATO, which France to varying degrees regards as alien to French interests.

I have great sympathy for Ex-Chancellor Helmut Schmidt when he expresses frustration over the FRG's alliance possibilities with Great Britain and the USA, respectively. But also when he expresses interest in deeper German-French security policy solidarity which presumes that France will give the FRG real nuclear assurance and security policy leadership as *quid pro quo* for a strong West German conventional contribution.

It is in the French-German alliance possibilities that a "conservative" alternative to the present security proposal really lies, whether the French president is of one party color or the other. It holds a particular European attraction. For if it is true that the FRG's assistance is essential, then the same holds true for France. The two neighboring countries each individually and at the same time hold a key that is necessary in order to open the door for an independent West European security policy. This is challenge number three.

It can be asserted that a security policy within the NATO framework is most natural for small countries like Norway and Denmark.

Concretely, the case is that West European security policy assurance to Norway and Denmark will become very problematic without naval coverage. Up to now it has been only the USA that can provide this coverage. It is first when and if the French-German security policy alliance gets a strong naval component also that the "conservative" West European security policy challenge will really become realistic for our two Nordic neighboring countries.

But this is a challenge that neither Norway nor Denmark can carry out. It is only the FRG and France that can.

8831

FRANCE

Military Installing Most Powerful Laser in Europe

3698A049z Paris L'USINE NOUVELLE in French
5 Nov 87 p 58

[Article by Michel Defaux: "The Largest Industrial Laser in Europe"; first paragraph is L'USINE NOUVELLE introduction]

[Text] With a 25-kW laser, ETCA will test the capabilities of high power lasers for welding, cutting, and surface treatment.

With the arrival of the 25-kW CO₂ laser built by the American firm United Technologies, ETCA (Central Technical Establishment for Armament) in Arcueil now occupies first place in Europe. This device, which cost about Fr 6 million, has been added to the already existing 1-kW and 5-kW CO₂ lasers. All the beams are pinpointed, at will, to five work stations. This novel arrangement allows several teams to have simultaneous access to the three laser sources for different tasks.

In this way ETCA is pursuing its research into the evaluation of laser performances and their role in armaments production for cutting, welding, and surface treatment. Alain Quenzer, technical assistant to the director and the person behind the project, emphasizes that "despite our long-standing experience with 5-kW lasers, it is not yet known in Europe what can be done with a 25-kW laser, or whether it would be advantageous to go to even more powerful lasers."

Even before the results of the initial tests are known, significant gains in productivity are expected. For example, with a 5-kW CO₂ laser, cuts 30 to 40 mm deep were made in armor steel with one oxygen supply. Current efforts are focused on steel thicknesses of 100 mm for cutting submarine and tank hulls.

For welding steel and titanium, joint depth would be increased from 8 mm to 20 mm. In the case of lesser thicknesses, the speed factor would be increased with the result that beads as narrow as those produced in electron beam welding could be achieved, with the tremendous advantage of not having to work in a vacuum.

In surface treatment without additional oxygen (titanium nitriding or fine-graining aluminum alloys [affinage de grain sur alliages d'aluminium]) or with additional oxygen (cast alloy powders, buildup welding), the

aim is to work more quickly on larger areas. For example, until now the prior deposit remelt rate [refusion de depot prealable] was on the order of $1/10 \text{ cm}^2$ per second with the 5-kW laser. The experts expect an increase here of a factor of five.

The last application, and far from the least important as far as the military is concerned, is the simulation of the resistance of materials to laser impact. The 25 kW per cm^2 impact, comparable to values of several megawatts per square meter announced in several "Star Wars" projects, will allow the Arcueil facility to test the behavior of missiles and of their nuclear warheads in the presence of such radiation.

25050/06091

Small Firm Leading in Robotics, Sensors

3698A053 Paris L'USINE NOUVELLE in French
15 Oct 87 p 69

[Article by Marina Angel: "Aico Signs With Aerospatiale"; first paragraph is L'USINE NOUVELLE introduction]

[Text] An assembly unit is under study for the Bourges plant, quite a technological exploit for the young Toulouse company.

Aico has confirmed its technological lead in robotics by winning its first major contract for the establishment of an assembly unit in the Aerospatiale plant in Bourges. Aico was established at the end of 1985 by a team of researchers from CERT (Toulouse Research Center) with Jacques Gillon at its head. The company has distinguished itself by developing a robot grip capable of resolving the problem of contact force control through a system of sensors. Dubbed SPACE 1 (force control grip

system), the industrial prototype currently has no equivalent on the market. SPACE 1 allows fine assembly operations (10-micron tolerance) as well as precision tooling (burring and fettling), surface control operations, and contact-forming operations.

Work on SPACE 1 led Aico to develop an entire range of products required for real-time process control: SCOM 1, a modular control system; a multiprocessor, multitask, real-time machine; and Lips (interpreted language for synchronized primitives), a software package which offers a programming environment specifically adapted to industrial robots.

In 2 years, Aico has been selected for some 30 contracts directly linked to automated production and robotics. The company has thus contributed to the development of a water-jet cutting table for the Imbert shoe company and of a piloting system for tunnel builders for the Atlantique TGV [high speed train] for Sogea. But Aico has also worked for SNECMA [National Company for Aircraft Engine Studies and Construction], SFIRM [not further identified], the French Navy, and the CEA [Atomic Energy Commission]. Sales of Fr 2 million in 1986 will be tripled this year. The goal for 1988 is Fr 12 million. In addition to the development of control systems and industrial computer engineering, which constitute the major portion of its activity, Aico intends to develop in 1988 four new applications of SPACE. Jacques Gillon also foresees the launching of a simplified version of the robot grip "better adapted to less complex tasks than those for which it is currently intended"—but not before the 1990's.

In the interim, in order to bolster its financial security, Aico is expected in the next few months to change its legal status from that of SARL [limited liability company] to that of SA [incorporated company] with a capital increase of up to Fr 900,000.

25050/06091

EUROPEAN AFFAIRS

North Sea Oil Activity Enters New Phase With Nordic Cooperation

36130037 Copenhagen BERLINGSKE TIDENDE
in Danish 31 Dec 87 Sec III p 6

[Article by Henrik Damm: "Drama of Energy From the North Sea"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The latest announcement that the Danish Underground Consortium [DUC] and Norsk Hydro will probably join forces to develop the Gert field gives the "drama of the North Sea" an entirely new dimension. This is the tale of a Danish energy project with an incredible number of actors—both domestic and foreign, industries, private consumers and export companies.

"Not one cubic meter of gas would have been sold to industry if Danish Oil and Natural Gas [DONG] hadn't offered a 15 ore introductory discount per cubic meter. If the discount is not extended we must tell our member firms that it will be cheaper to switch to fuel oil."

Industrial Council department chief Niels O. Gram is one of the actors in the drama involving nature, gas, industry and DONG, the Danish Underground Consortium (DUC), Swedegas of Sweden, Norsk Hydro and last but not least Statoil of Norway.

The Industrial Council expressed anger on behalf of its members because DONG sells gas to Sweden more cheaply than it does to Danish industries and the council is calling for other discounts to compensate for the price difference and the elimination of the introductory discount.

DONG says no, pointing to the words "introductory discount."

But the Industrial Council objects that there were hints that the discount would be continued.

Not in writing, DONG retorts, referring to separate negotiations with individual customers.

The latest statements from DONG, show that it is not just the big heavy industrial firms that have bought gas. The food and beverage branch has been a big purchaser,

along with glass and tile plants. Some 253 firms consuming more than 300,000 cubic meters account for 600 million cubic meters. To this must be added somewhere between 2,000 and 3,000 smaller firms that have also signed up.

The latest signals from the power/heating front concerning the purchase of natural gas are also part of the drama of nature, gas and industry. It has been announced that Elkraft's planned heating and energy plant, Avedøre 2, which is scheduled for completion in the mid-1990's, might be interested in buying 250 million cubic meters a year.

Price Story

Now the really big customers are part of the picture. Customers who can make a fundamental positive change in the economy of one of the biggest investment projects in Danish history—the natural gas project. DONG is negotiating on prices not only with the major purchasers but also with suppliers and international buyers. Or the domestic front negotiations with the Danish Underground Consortium, DUC, which is owned by A.P. Moller, Shell and Texaco, are dragging out. Results should not be expected before next year. In the middle of these negotiations the politicians gave DONG the green light to negotiate with other suppliers and Norwegian Statoil is part of the picture here. These negotiations are in the preliminary stage and concern the sale and transport of Norwegian gas from the Ekofisk field to the market in southern Sweden. DONG wants to utilize the capacity that exists in the pipeline from the DUC-owned Tyra platform to Jutland and convey the gas to Sweden from there. If these negotiations lead to an actual agreement, it will mean that a new pipeline will have to be built from the Norwegian platform to Tyra, the so-called "missing link."

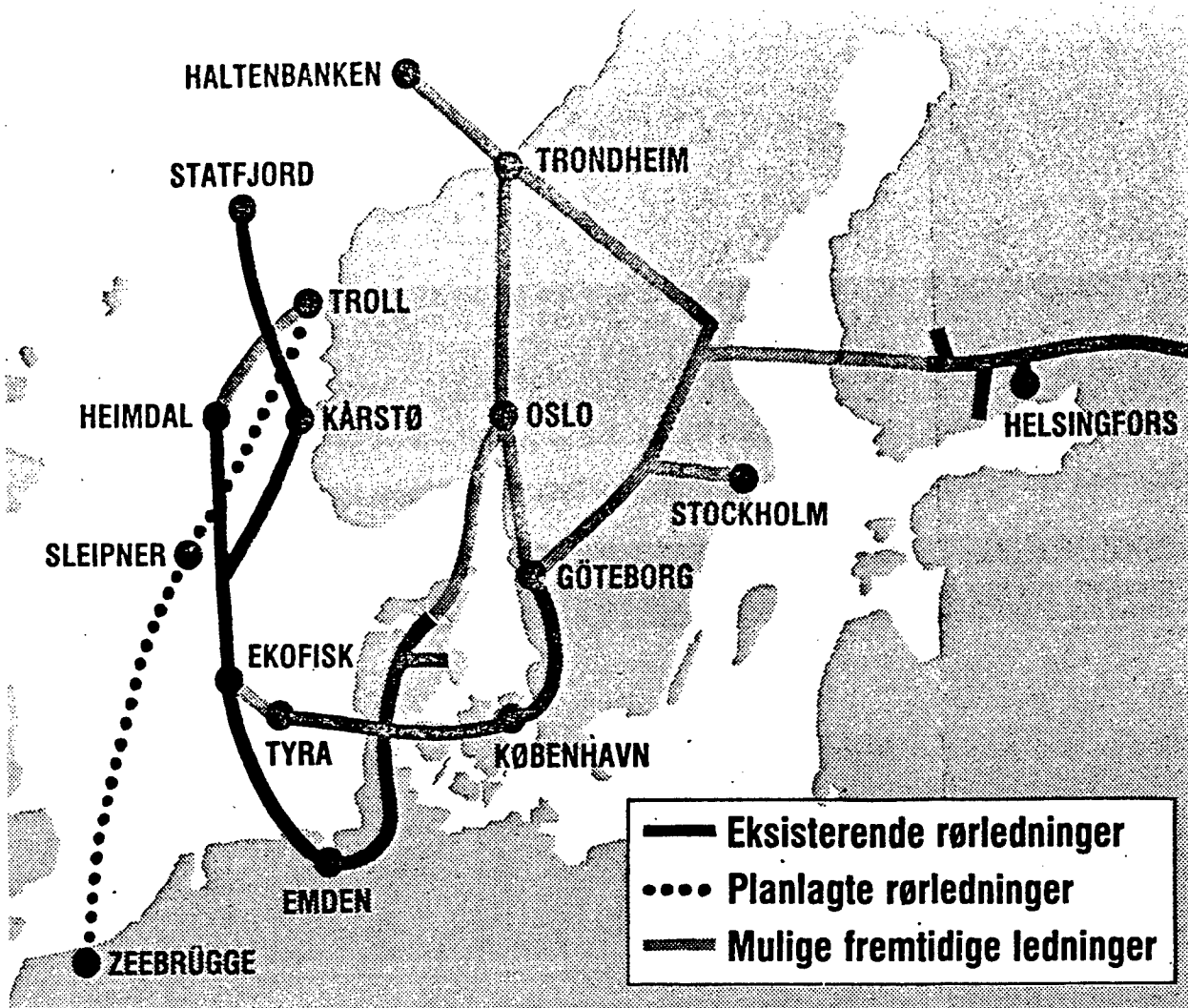
DUC has now responded. This happened yesterday when the company confirmed rumors that negotiations are under way between DUC and Norsk Hydro concerning the development of the Gert field, which lies 90 km northwest of the Gorm field.

Power Play

The pipelines play a central role. That is shown by the latest statement the DONG council made to Folketing.

Before Christmas DUC was able to report—incidentally this was unrelated to the ongoing negotiations—that 5 billion kroner will now be invested in a new gas field, Harald, close to the Norwegian border. It is estimated that this field contains 25-30 billion cubic meters. According to the consortium's announcement, "it is planned to pipe the gas to Tyra, 80 km away."

But not a word about who will set up the pipeline.



One of the central elements in the expansion of the North Sea gas and oil project is the transport links—and in particular who will control them.

Key: 1. Existing pipelines 2. Planned pipelines 3. Possible future lines

DENMARK

Economy Seen Headed for Increasing Difficulty

Decline in International Competitiveness

36130027a Copenhagen BERLINGSKE TIDENDE
in Danish 12 Nov 87 Sec 3 p 7

[Commentary by Frank Dahlgaard: "Export Package and Tax Changes Will Not Improve Competitiveness;" first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The government has abandoned the idea of improving business competitiveness in the private sector. The goal now is to make cuts aimed at preventing the situation from getting worse.

However the DONG council has a clear opinion about that. "Future expansion of the transmission systems in the North Sea for transporting oil and natural gas should be kept under the control of DONG," according to the council. In other words a power play for the transport system. In the middle of all the negotiations and the political maneuvering, a new actor has turned up. Norsk Hydro has published a new report which describes the consequences and possibilities involved in running a pipeline directly from the Norwegian area to Göteborg. In other words an alternative to Danish transport of the Statoil gas to Sweden.

The four-party government has given up its most prominent policy goal—improving competitiveness in the private sector. Now the goal is simply to prevent the situation from getting worse in 1988—on top of the dramatic decline in competitiveness that has already occurred.

The sad fact can no longer be concealed: Even if Folketing approves the government's entire "export package" and even if all the government's planned changes in employer taxes are carried out, this will only prevent a further decline in competitiveness next year.

So far the government's initiatives on competitiveness since the election have been promoted as an offensive policy that could counteract or neutralize the destructive extra increases in wage costs that have taken place from 1986 to 1987.

However this kind of restoration of competitiveness requires far more sweeping measures. The fact is that the government is now pursuing a defensive policy aimed at simply avoiding a further weakening of the export opportunities of Danish firms next year. It is estimated that total hourly wage costs in the Danish private sector are about 10 percent higher than they were last year. In addition to regular wage increases—especially those connected with the new contracts signed this spring—this cost increase is due to a 1-hour cut in weekly work hours which went into effect at the beginning of the year (with no pay cut) and the elimination of previous state employer subsidies.

However from the point of view of competing with other countries, Danish wage costs have risen by as much as 14 percent in the past year, because from 1986 to 1987 the Danish krone underwent an average passive appreciation of 4 percent.

In contrast to this cost increase of 14 percent in Denmark, hourly wage costs in the countries we are competing with rose by only 4-5 percent on the average.

In other words, from 1986 to 1987 Danish wage competitiveness declined by around 10 percent. That is the biggest decline in competitiveness that Denmark has experienced since the beginning of the 1970's.

However in addition to this deterioration there is a prospect that Danish wage competitiveness will decline by another 6-7 percent next year unless something is done about the situation.

The government's "export package" and the plans to make changes in employer tax payments will only offset this further deterioration. They will not help to counteract the decline that took place from 1986 to 1987.

Grim Figures

Without a marked improvement in business competitiveness it will be impossible to reduce Denmark's foreign exchange deficit and also reduce unemployment.

The table below shows the main figures in the balance sheet that is giving the government so much trouble.

Table 1. Increases in Hourly Wage Costs from 1987 to 1988:

Factors	Net Change
Increased wages paid	5.0 percent
Shorter work hours without wage compensation	1.3
Various indirect wage costs	0.7
Total growth of wage costs in kroner	7.0
Anticipated rise in Danish drone	4.0
Total wage cost increase in terms of foreign currency	11.0
"Export package" will cut expenses by	- 1.5 percent
Changes in employer taxes	- 5.0
Total increase in expenses after political intervention	4.5 percent
Average increase in wage costs in other countries	4.5
Result: wage competitiveness unchanged	0.0

It is estimated that average total hourly expenses in the Danish private sector will be around 7 percent higher next year than they are this year. About 5 percent of this increase will be the result of regular wage increases, whether we are talking about contractual rate increases

or "wage drift" in relation to local negotiations worked out by individual firms. Another 1 percent is due to the further reduction of work hours to 38 hours per week sometime next year. Finally, indirect wage costs will increase by a good 0.5 percent as a result of such things

as increases in payments to the General Supplementary Pension Fund [ATP] that go into effect on 1 January.

The changes in foreign exchange rates (overwhelmingly downward) mean that more passive appreciation of the Danish krone, amounting to a 4 percent increase, can be expected from 1987 to 1988. This figure will probably be even higher as a result of the new decline in the dollar—a decline that automatically pulls Norwegian and Swedish kronor down with it.

All in all, in terms of foreign currency, Danish hourly wage costs will lie about 11 percent above the 1987 level next year. In contrast, it is estimated that hourly wage increases abroad will be around 4-5 percent.

Three Stages

If no steps are taken there is a current prospect that Denmark's competitiveness will weaken by 6-7 percent in 1988—on top of the deterioration of approximately 10 percent that took place from 1986 to 1987.

The government's answer to this challenge is a "three-stage rocket."

The first stage is an "export package" that will give export companies 2-3 billion kroner in tax relief and improve competitiveness by an amount corresponding to 3-5 percent of total wage costs. That is what the prime minister said in his opening speech to Folketing, but the figure is wildly exaggerated. The "export package" will improve competitiveness by 1.5 percent of total wages at best, as shown in the table.

The second stage is a restructuring of so-called employer payments, which will be eliminated and replaced with a special extra value-added tax. The government has not yet made a move on this stage (probably due to internal disagreement), but the goal is to use this step to reduce wage costs in the private sector by 5 percent.

An attempt is now being made to put these two stages of the government's competitiveness program and the budget bill in place before Christmas. The two initiatives (if they are implemented in their entirety) will improve Danish competitiveness by 6-7 percent. In other words, just enough to offset the anticipated decline.

The third stage in the "rocket" is the government's offer to enter into a binding three-party agreement starting 1 March 1989 that would combine modest wage increases and increased pension savings with tax cuts. Thus this part of the plan will have no effect in 1988.

The government is faced with a terrible dilemma:

In the first place the two measures described above will only be sufficient to prevent a further deterioration in Danish competitiveness at best.

In the second place there is a risk that the business tax relief that is included in the "export package" and the elimination of the employer taxes will lead to increased wage drift in 1988. It will be a temptation for wage earners to demand higher wages in the local negotiations in the spring with reference to the tax relief companies have just received.

In an effort to prevent such a development the government will hold talks with labor market representatives next week.

In the third place cutting employer taxes in this country is a dangerous course to pursue. What if Sweden, Norway and West Germany decided to do the same thing? In that case Denmark would go from the frying pan into the fire, because the employer taxes in neighboring countries are far greater than they are here. Thus they could achieve much greater cost reductions in this way than we can.

The government's policy is by no means a harmless remedy. And we will need a lot of luck to avoid a further deterioration in the patient's health.

Consumers To Face Greater Hardship

36130027a Copenhagen BERLINGSKE TIDENDE
in Danish 19 Nov 87 Sec 3 p 11

[Commentary by Frank Dahlgaard: "Downturn Spreading Through Danish Society"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] There are obvious signs of crisis in practically the entire private sector—bankruptcies and forced auctions are on the rise and many houses are for sale at declining prices.

The trend in the Danish economy is quite obvious: We are heading into a widespread economic crisis in which forced auctions, bankruptcies and rising unemployment will be part of the disorder of the day.

But first the positive side:

The travel branch and the public sector are doing well. About 20 percent more charter trips have been sold so far in 1987 compared to the same period last year. Danes have evidently changed their consumption patterns. We simply will not give up our trips abroad. And apparently we do not want to do without public sector benefits either, at least the state and the municipalities now employ more people than ever before and the tendency is toward continued growth.

Then we come to the negative side:

Fishing, agriculture, industry, shipbuilding, construction, retail trade and the financial sector are all moving rapidly toward economic crisis. Employment in most of these branches is already heading downward. Thus

unemployment in the construction branch has increased by 25 percent in the last 12 months, while the number of jobless metal workers has risen by as much as 33 percent. Unemployment among the large group of semi-skilled workers has increased by 8 percent.

The reason why total unemployment is still almost unchanged compared to last fall is the decline in unemployment among academic personnel, salaried employees and civil servants. And in general fewer women are unemployed. To a large extent the groups in question are linked to the public sector.

Property Market

There are many clear signs of crisis in the private business sector:

Bankruptcies increased by 31 percent from the third quarter of 1986 to the third quarter of this year. Advertised forced auctions of real property have risen by 37 percent in the same period.

Real estate agents report declining house prices and a sharp increase in the number of houses for sale. It is estimated that there are now 30 percent more single-family homes for sale than there were before last year's fall corrective. The sale of houses has declined to a corresponding extent.

Typically it took 2-4 weeks to sell a house last year but now it takes between 2 and 6 months.

People who have to move are obviously afraid of getting stuck with two houses on their hands and don't want to buy a new house before they have sold the old one. The effect of this has been longer transfer periods: In the past, houses were typically sold with a transfer date 3-6 weeks after the papers were signed. Now it often takes 3-6 months.

The bigger and more expensive the house is, the harder it is to sell it. Since the fall corrective, prices for single-family homes have generally declined by around 10 percent and the trend continues to be downward. The situation is especially bad for summer houses. Prices have declined sharply and the number of forced auctions of summer houses has risen by as much as 60 percent.

Agriculture

The crisis in agriculture is obvious. The overproduction of food products in EC has led to falling prices. In addition to this structural crisis there are stricter environmental requirements and the poor harvest this year. And to make it doubly certain, Folketing passed a new Agriculture Act last summer that drastically limits the opportunities farmers have to sell their farms. There are stricter requirements for farm purchasers and the Land Act Committee no longer grants dispensations the way it used to.

The result can be seen in the sale price of farms which has typically declined by a third since last summer. This not only affects farmers who want to sell their property but those who remain on their farms as well. Their capital base has eroded, so they find it increasingly difficult to obtain the loans and credit they need.

The problems of the fishing industry have been given some prominence in the media lately as a result of the fishermen's demonstration on Langelinie Wharf in Copenhagen. Here too the problem is excess capacity (too many cutters) in relation to catch opportunities and the quotas set by EC.

In industry the crisis is really spreading now. Since the spring of 1986 industrial jobs have declined by 15-20,000. This means that a good third of the jobs that were established in the optimistic years of 1983-86 have already disappeared again. Recently big well-known firms like Band & Olufsen and F.L. Smith have announced personnel cuts.

Industry and Trade

The shipyard crisis has spread to the iron and metal branch where the decline is especially marked now. The same is true of the furniture industry which has been hard hit by the nosedive of the dollar, and of the textile and clothing branch which has been affected primarily by poor sales on the Danish domestic market.

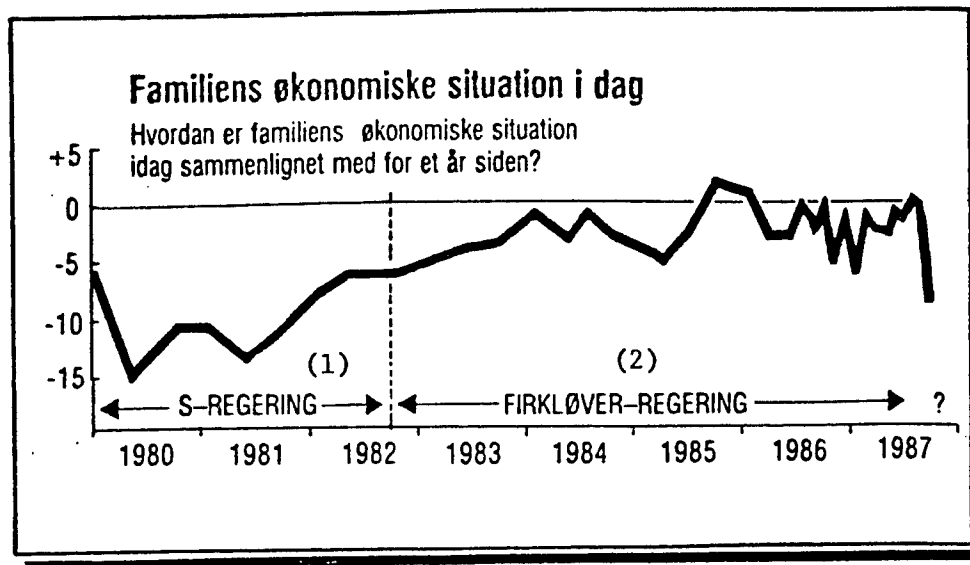
Construction activity is still quite high because a number of big construction projects that were started in the boom year of 1986 are not yet completed. But the number of new building starts is shrinking and in the last 12 months the number of building permits has dropped by 25 percent. Not many private homes will be built next year.

Retail trade has been affected by the consequences of last year's fall corrective. Sales of radios, TV sets, furniture and durable consumer goods in particular have fallen substantially. And car sales have declined by more than 30 percent in the first 10 months of the year compared to the same period last year. Many car dealers and retail tradesmen now have a hard time getting more credit from their banks.

There is a good prospect that "January sales" will be held before Christmas in the crisis-ridden retail trade sector.

The big department stores are experiencing a decline in the sale of recreational and household items and in clothing departments the sale of women's clothes has suffered the most.

The financial institutions report a rising number of overdrafts, late payments and reposessions and there is very little interest in taking out new consumer loans. Consumers have a hard enough time handling principal and interest payments on their old loans.



Current Economic Situation for Danish Families

Key:

1. Social Democratic government
2. Four-party nonsocialist government

To an increasing extent depositors are calling up their banks to ask if their wages have been deposited.

These are all signs of crisis.

Pessimism

Many financial institutions are not doing very well themselves. Costs have risen sharply while earnings are lagging behind—and losses on loans are mounting.

Thus Handelsbanken has announced that it will close a fifth of its branches in the years ahead and it is certainly not the only financial institution that will have to streamline its operations. Like farming, fishing and shipbuilding, financial institutions have a structural problem, a surplus capacity. There are simply too many branch banks.

Danes have definitely lost their optimism. After the loan and consumption orgy of 1985-86 they are now experiencing an economic hangover. The Easter package and the fall corrective have taken their toll and next February many Danes will get a shock when they see their 1987 tax statements. The tax reform greatly reduced the deduction value of interest costs. More than many people realize.

There is no consolation in what is known as the "consumer expectation survey" issued by the Danish Bureau of Statistics, which is based on interviews with around

1,600 Danish adults. The survey that has just been published for October shows that an unusually large number of Danes now feel that the economic situation of their own families is clearly worse than it was a year ago. We must go all the way back to Anker Jorgensen's crisis years in the early 1980's to find a more negative assessment of the situation, as shown in the graph below.

All in all the prospects for the economy and employment are very bleak for 1988-89. The international financial and currency crisis has made the outlook even bleaker as has the outcome of the September Folketing election.

Denmark is headed for an economic slump for which it is very poorly prepared politically.

What is the family's economic situation like now compared to a year ago?

This is how Danes have assessed their own economic situation for the last 8 years, according to the Danish Bureau of Statistics.

Ministry: Economic Restructuring Needed
36130027a Copenhagen BERLINGSKE TIDENDE
in Danish 26 Nov 87 Sec 3 p 11

[Article by Hugo Garden: "Exports Alone Must Rise"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The Foreign Ministry has given a very bleak picture of the future of the Danish economy. Exports must increase by 35 percent if the export sector is to solve balance problems.

A comprehensive restructuring of Danish society is needed. There is no room for more than a limited amount of growth in the public sector and in domestic market branches. All growth must occur in the export sector.

That is what the Foreign Ministry concluded in a report on the government's export policy that will be presented to Folketing today.

If exports alone are to eliminate the balance of payments deficit, exports of goods must increase by 60 billion kroner, or 35 percent. This kind of growth requires a structural change. As many as 150,000 more people must be employed by export businesses to guarantee such a sharp rise in exports—almost three times the increase in the number of industrial jobs since 1982—and this cannot be accomplished in a single year. It would probably take at least 6-7 years to produce an export increase of this magnitude—an increase of 5-6 percent annually.

The Foreign Ministry has also prepared a report on export markets. It appears that in the future Denmark will have to put the emphasis on nearby markets, especially West Germany and Great Britain. The only problem is that it is very hard to obtain larger market shares. Therefore lower costs here at home and more advanced products are absolutely essential.

The chairman of the Industrial Council, director Otto Christensen, agrees with the Foreign Ministry's conclusions: "The economic problems can only be solved by expanding the export sector. The government also realizes this and the export package plus changes in employer taxes are a good start. There is more substance in this initiative than there was in the interventions we have seen in recent years."

Prime Minister Issues Warning

36130027a Copenhagen BERLINGSKE TIDENDE
in Danish 28 Nov 87 p 6

[Interview with Prime Minister Poul Schluter by Carl Otto Brix: "No Wage Increases in Sight"; date and place not given; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The prime minister says that implementing the export package and the budget bill and making changes in employer contributions will create political stability and make lower interest rates possible.

Sweat and tears.

That is what Danes can expect in coming years. They must work hard, real wages must not rise and the many "small groups" should not expect to be given special consideration. Public spending cannot increase.

That is the assessment Prime Minister Poul Schluter (Conservative) made of the current political reality.

But the prime minister would not compare the situation of the four-party coalition today with that of the Social Democratic government in September 1982 (when Anker Jorgensen [Social Democrat] resigned and turned the government over to Poul Schluter without calling an election.)

"In recent months the outlook has become bleaker. The international stock market crisis is a sign of uncertainty and the latest reports on international growth are also negative. Added to that is a factor we were already aware of, that wage developments in 1986 were much too strong. The spring contracts were more costly than they should have been. Our competitiveness has deteriorated at a time when the international economy is falling off. These are the hard facts that tell us we need to halt the trend now.

"The basic message is that we must keep a tight rein on public spending; the basic message is that we must reconcile ourselves to several years without wage increases, so that we can overcome the difficult market conditions.

"The advantage compared to 1982 is that at that time everything had come to a halt, the business sector was antiquated. Now the international crisis finds us in a situation where we have spent the last five years putting public finances in order."

[Question] The report from the Council of Economic Advisers and the government's report on exports indicate that the outlook is bleak.

[Answer] There is basic agreement between the government's export report and the new report from the Council of Economic Advisers and many other signals. In two areas the economic advisers have clearly exaggerated the situation. First, it is an overstatement to say that our competitiveness has declined by 15 percent and second, the assumption that unemployment will rise rapidly to 300,000 is also an exaggeration.

[Question] But isn't this an indication that the government's policy has failed?

[Answer] We have accomplished a great deal, among other things we have put a lid on the public sector. And that was really necessary. We have a public sector that is too large. That must be said without reservations. That is the way it is. It is not in balance with the earnings of the

private sector. Unless we create 150,000 jobs in the private sector in the years ahead, we will be unable to maintain a public sector that is too large.

[Question] Is that a threat to the Danish welfare state?

[Answer] What we have come up with is a forecast for the years ahead—if no steps are taken. But they will be. We are making adjustments. Denmark is maintaining its position on international markets. That is a very good sign. If we look at domestic consumption we can see that we have achieved our goal: Consumption is declining and that is what we wanted. There is nothing to indicate that we should take further steps in the near future. That would only make the situation worse.

[Question] Isn't the government running a risk that everything will be deadlocked in its effort to implement the changes in employer payments, the export package and the budget bill all at the same time?

[Answer] On the contrary. We must solve a number of important separate issues. The export package and the changes in employer payments will improve competitiveness in our export branches by 8-9 percent. That is something that will have an effect. It will really be a shot in the arm. At the same time we must get the budget passed and it must and will be a budget that says no to sizable new spending increases. But these three main tasks still form a whole and I am stressing the point that the political picture should be stable and clarified when Folketing takes its Christmas recess.

If this is successful there will be some added benefits. We will have economic stability and lower interest rates as well as legislation.

[Question] Are there any other possibilities besides biting the bullet and getting the Social Democrats to support the budget?

[Answer] I do not expect a fixed majority in all the votes that must be cast. Naturally the importance of the 90-seat nonsocialist majority, which led to my selection as prime minister, will be that in areas where the Social Democrats and the Socialist People's Party make excessive demands, the 90 nonsocialists will defeat them. That is the consequence of the fact that the socialists do not have a majority. I am certain that this will not pose any problems for either the Radical Liberals or the Progressives.

But at the same time in a number of areas involving the labor market, workmen's compensation regulation, educational opportunities in the labor market, etc. an understanding can be reached by the government parties, the Radical Liberals and the Social Democrats, which will also produce a majority. So in the end we will have to budget that the Social Democrats will support.

The prerequisite is that the Social Democrats understand that the government cannot accept increases of billions of kroner in public spending. That would show that they do not comprehend the economic situation that confronts us.

[Question] Is the government's problem that its majority—the 90 seats—can only be used negatively, in other words to block something?

[Answer] You could certainly put it that way.

6578/12913

FINLAND

Industry Found Failing To Exploit New Growth Sectors

36170017 Helsinki *HELSINGIN SANOMAT* in Finnish
4 Nov 87 p 39

[Article: "Central Industrial Federation Survey Reveals Industry Has Not Conquered Additional Growth Sectors"]

[Text] On the basis of product sales, industry has not managed to move an inch towards flourishing business sectors during the last 3 years. On the contrary, emphasis has shifted a shade towards unchanging or declining markets.

Slightly less than one third of the products, or the same share as in 1984, is in growing markets. This was revealed by a Central Industrial Federation (TKL) survey, conducted in August, that dealt with business revival.

There has been a minor dropoff in sales on flourishing foreign markets, though the difference is not statistically significant.

More than one third of domestic sales and 58 percent of foreign sales in sectors classified as either unchanging or declining. The share of foreign trade on unchanging or declining markets has even risen a little since a 1984 survey. The distribution of domestic sales among unchanging, declining, and growing markets has remained statistically the same.

More and more, the industrial structure of advanced market-economy countries is being squeezed into the same mold. In Finland, too, the distinctively national features of the business sector structure have diminished over time. This is director Paavo Gronlund's interpretation of the confederation's memorandum on structural change.

Structural change is seen in the fact that increased industrial production during the 1980s was accomplished by applying production factors more efficiently,

not by increasing their number. TKL managing director Timo Relander said that the structural change occurred as a transition "from extensive to intensive growth."

Change in the application of production factors is also evident in investments. The share of nonmaterial investments—trading, for example—has grown during this decade. Early in the decade, 30-35 percent of all fixed investments were nonmaterial; now the figure is 60-65 percent. At the same time, investments in efficiency engineering have increased at the expense of expansion. Efficiency engineering's share of all fixed capital in the Finnish manufacturing industry has risen to nearly 80 percent.

Growing and Declining Sectors

In production and labor force use, the manufacture of instruments has grown the most, and the manufacture of textiles has declined tremendously, especially since 1980. In the electrical, printing, and plastics industries, there has also been increased production and manpower use. In both respects, the woodworking industry, oil refining, and glassmaking have declined.

Business firms' ideas of what furthers revival most and what retards it have changed. Research and product development as well as leadership and organization are no longer regarded as most important. Marketing and improvement of the production process itself have taken their place alongside them.

It was felt—just as much as it was 3 years ago—that inadequate research hinders revival. Uncertainty about economic, industrial, and social policy is now considered a relatively worse obstacle to revival than it was 3 years ago.

Greetings to Government

Risk financing and loans are considered smaller obstacles to revival than before. Stimulating tax concessions for business firms and reduction of the marginal tax rate for individuals now receive more points than 3 years ago.

The TKL report sends other greetings to government by suggesting the subjection of public sector tasks to competition with the private sector. "In that way, many tasks could be carried out more efficiently, which would make it possible to either lower the scale of taxes or raise the level of services."

12327/06662

Economic Research Institute Predicts 3.5-Percent Growth

36170031b Helsinki *HELSINGIN SANOMAT*
in Finnish 4 Dec 87 p 40

[Article: "Institute for Research on Trade and Industry Estimates Finnish Output Will Increase 3.5 Percent This Year"]

[Text] Even though the crop failure was worse than predicted in early autumn, the forecast of 3.5-percent growth in total output for this year remains unchanged, says the Institute for Research on Trade and Industry (ETLA) in its last economic prediction of the year.

According to new estimates, agricultural output this year will be 17 percent less than last year, and the decrease in agricultural output caused by the poor harvest will reduce GNP growth half a percentage point altogether. The loss in total output is offset, however, by a favorable trend in construction, industrial production, and certain service sectors.

Both industrial production and service activity increased 4.5 percent, which translates into GNP growth of 3.5 percent. ETLA predicts 2.5-percent growth for next year.

Because of the October crash on the New York Stock Exchange, the world economy outlook has deteriorated since the forecast ETLA released in September. It has become necessary to reduce the growth predicted for OECD countries this year. Average growth for OECD countries is expected to be 2.5 percent this year and 2 percent next year. 1989 would seem to be a year of slow growth internationally and in Finland, although ETLA emphasizes the uncertainty of long-range economic outlooks.

The increase—so propitious at the start of the year—in exports to the West is over, says ETLA. Total exports will increase 3 percent this year, 2.5 percent next year, says ETLA.

Exports of goods to the West will rise 8 percent this year, but exports to the East will decline about 10 percent due to balance-of-trade problems.

ETLA predicts that exports to the East will decline another 5 percent next year. This estimate rests on the assumption that the dollar's exchange rate is 4.2 markkas, the price of a barrel of crude oil is \$18, and the amount of transmission oil is 4 million tons. In the September forecast, there was talk of 2.5 million tons of transmission oil.

ETLA figures that industry will lose roughly 20,000 jobs this year and that the entire national labor force will decline by 10,000 persons. The unemployment rate is 5.2 percent this year, but will rise to 5.5 percent next year.

The inflation slowdown that lasted several years has stopped both in Finland and in OECD countries. This year's rise in international inflation is partly due to the higher price of crude oil. Prices of Finnish imports are expected to fall somewhat this year and rise slightly next year. ETLA points out that the future inflation rate depends on domestic price and cost factors.

The improvement of Finnish industry's price competitiveness rests on increased labor productivity, but in many areas the improvement was made by reducing the work force, says ETLA. The institute warns that the national economy cannot endure for long such a rapid reduction of the work force.

12327/09599

Koivisto: Economic Internationalization Would Bring Benefits

*36170031a Helsinki HELSINGIN SANOMAT
in Finnish 4 Dec 87 p 18*

[Article: "President Mauno Koivisto: More Advantages Than Disadvantages From Internationalization"]

[Text] Internationalization of trade is more beneficial than harmful to Finland, in President Mauno Koivisto's opinion. In an interview published Thursday by the Soviet Democratic Party newspaper, Koivisto points out that our country's current standard of living and consumption would be impossible without a very highly developed division of labor in international trade.

"It's quite clear to me that Finland can manage to care for 5 million people only through economic cooperation with other countries. We lack very important raw materials. And in no case could the standard of living and consumption we now have be imagined without highly developed participation in the international division of labor."

Koivisto thinks that the future development of international trade is more or less shrouded in mystery for everyone. He considers it likely, however, that Finland will preserve the possibility of practicing free trade and pursuing an independent national policy.

In Koivisto's view, there is a distinct difference between internationalization and supranationalization of trade. "Supranationalism has a readily negative connotation which shouldn't be introduced into the discussion when it's merely a matter of international issues. Everything international is by no means supranational," observes the president.

Koivisto finds it reasonable that Finns are worried about the direction taken by international trade. "In West European economic cooperation, there is also the question of improved political cooperation. Supranationalism is now emerging in such a way that economic integration would tend to standardize the foreign policy of member countries."

International technological advancement has its negative aspects, too, according to the president. The negative aspects are negligible, however, if we compare the positive aspects of technological progress and advanced communications.

EFTA Is Reflex Phenomenon

President Koivisto points out that the rules of commerce and other exchange are not made just within the European Community. The International Monetary Fund and the General Agreement on Tariffs and Trade also formulate the rules.

The president calls to mind Finland's arrangement with the European Free Trade Association. The birth of EFTA was a commercially defensive phenomenon, while the trade ambitions of the European Economic Community were dynamic and offensive from the outset.

"When EFTA was founded, it was called the Outer Seven. The idea was that the six countries of the European Economic Community were somehow inside, and the seven outside. The preface to the EFTA charter says that the association's purpose is to ease the removal of trade barriers and the buildup of economic cooperation with OECD countries, including members of the European Economic Community.

"It is also accurate that EFTA was not and is not a true economic community but a kind of reflex phenomenon that essentially arose from the initiative of England, which had stayed outside the European Economic Community."

Trade With Soviet Union Preserved

Koivisto believes there is nothing on the horizon of European economic developments that would negatively affect trade between Finland and the Soviet Union. Finland is the only capitalist country with which the Soviet Union conducts bilateral trade and maintains a clearing system of payments.

International Monetary Fund rules forbid a restrictive and bilateral arrangement of payments between member countries. It is not that changes would result from Soviet dealings with the European Community. But there could be consequences if the Soviet Union sought membership in the International Monetary Fund or—maybe for starters—in GATT.

Croissance en volume de l'activité par secteur (1)			
	1986	1987 (1)	1988 (2)
Biens d'équipement : (2)			
● Mécanique (3)	- 1,2	- 0,5	0
● Matériel électrique et électronique (4)	3,3	3,8	1,6
Matériel de transport (5)			
● Voitures particulières (6)	5,3	8,5	- 3,3
● Equipement auto (7)	3,2	10	2
● Aéronautique (8)	- 2	- 3,5	- 3,5
● Construction navale (9)	13,7	- 35	- 14
Biens intermédiaires (10)			
● Sidérurgie (11)	- 4,8	- 3,5	
● Verre (12)	- 1,5	2	0
● Chimie de base (13)	0	2,2	0
● Papier carton (14)	4,5	3	1,5
Biens de consommation (15)			
● Parfumerie-Cosmétiques (16)	2	4	2,3
● Textile-Habillement (17)	- 0,7	- 3,7	0
● Cuir-Chaussure (18)	- 2,7	- 1,5	- 1,5
● Appareils électroménagers (19)	3,5	4,5	2
● Electronique grand public (20)	20,5	- 9	- 4

(1) Estimations (21) (2) Prévisions. (22)

Key:

- | | |
|---|-----------------------------------|
| 1. Growth in volume of activity by sector | 12. Glass |
| 2. Equipment goods | 13. Basic chemicals |
| 3. Engineering | 14. Cardboard |
| 4. Electrical/electronic equipment | 15. Consumer goods |
| 5. Transportation equipment | 16. Perfume and Cosmetics |
| 6. Private automobiles | 17. Textiles and clothing |
| 7. Auto equipment | 18. Leather and footwear |
| 8. Aircraft | 19. Household electric appliances |
| 9. Shipbuilding | 20. Consumer electronics |
| 10. Intermediate goods | 21. Estimated |
| 11. Iron and steel | 22. Forecast |

The president considers somewhat artificial the concept of "Nordic countries' own domestic markets." The Nordic countries conduct free trade, but it does not rest on bilateral settlements between these countries. Rather, the Nordic countries have participated in general agreements within whose framework trade between the countries is unrestricted.

12327/09599

FRANCE

Outlook Variable for Industrial Sectors in 1988
35190030b Paris LES ECHOS DE L'ECONOMIE
in French 18 Jan 88 p 6

[Article by Patrick Lamm]

[Text] According to a study by the Lyons Credit Bank, some sectors will suffer from the dollar's decline, and

others will be harmed by the downturn in domestic consumption, but some—fewer in number—will pass between those two reefs.

What is the outlook for this year's activity by the various industrial sectors? A forecast of that type—common in the United States but much less frequent in France, probably because of its necessarily uncertain character—has been produced by the Credit Lyonnais bank.

Activity by French firms in 1988 will take place in an overall context in which the negative aspects—a deteriorating international environment, a declining dollar, and flagging domestic consumption—seem to outweigh the positive factors: control of inflation, a continuation of tax reductions, and, consequently, an improvement in the financial situation of the firms.

Economic forecasters at the Credit Lyonnais anticipate that "given the continuing buoyancy at the start of the year, further growth of activity seems probable during the next few months, but with the risk of a slowdown in the second part of the year."

Behind that overall diagnosis, the prospects differ by sector. The study by the state-owned bank distinguishes between three categories of industry: one group that is sensitive to the dollar's decline and the weakness of external demand, another that is influenced by the downturn in domestic demand, and a third that is maintaining moderate growth.

Ten sectors seem very vulnerable to the effects of the dollar's decline. One is the aircraft industry, where the effect of the falling value of the greenback is expected to be particularly noticeable in terms of profitability and the exchange value in francs of export sales denominated in dollars.

The component industry might find the cost of its supplies 25 percent cheaper in the United States than in France, with the result that some firms (in the arms industry, for example) may obtain their supplies from across the Atlantic.

Electronic equipment, telephone equipment, iron and steel, paper pulp, fertilizers, luxury items, textiles and clothing, and footwear might also suffer from the depreciating dollar.

For others, the threat will come from inside the country and from sagging demand in the wake of a slowdown in the use of credit. According to the experts at the Credit Lyonnais, automobile sales may experience a "marked reversal" with new registrations dropping by 5 percent. Also affected will be three sectors supplying household equipment (leisure electronics, household electrical appliances, and furniture), as well as certain branches of engineering.

Lastly, some sectors should find themselves protected by or benefiting from favorable specific factors. This would apply to public works equipment in the wake of major programs (the Channel tunnel and so on); precision equipment; metalworking (supported in particular by the Airbus program); cardboard, which will be given a boost by exports to the FRG; and data processing and office automation, since firms are not expected to slow down their computerization programs excessively.

11798

ITALY

Foreign Banks Experiencing Difficulties
35280076b Milan *ITALIA OGGI in Italian*
17 Nov 87 p 18

[Article by Tiziana Barghini: "Foreign Banks Among Weakest in Italy"]

[Text] Milan—Banks abroad are more efficient, they operate on narrow margins, they are more dynamic and

more management-oriented than Italian credit institutions. This represents the common wisdom, these are phrases that get repeated by just about everyone whenever there is any kind of unhappiness with our credit system—repeated with that touch of xenophilia we are known for. Recently, however, these phrases have been incorporated in a more elaborated argumentation that goes more or less as follows: in 1992 when, under the agreements undertaken with the EEC, we have to open our frontiers to financial organizations from abroad, the Italian banks are going to have to run to keep up with the new realities. Competition with more efficient and better organized institutions is going to make problems for Italy's safe and sure depositaries.

Everyday reality, however, reveals that it is the foreign-bank branches in Italy that are having serious problems. Among the 35 credit institutions active in our market, almost all are dissatisfied with their performance. Some are planning drastic reductions in personnel and operations, others are thinking about closing, while there are some that have decided to wait and see if better times are coming. And this is not a matter of questionable guesses: it is Guido Rosa, president of the Italian Foreign Banks Association (AIBE), who describes the situation in this way.

It is a situation well known to the bankers' association, which has found itself facing a problem very unusual for the world of financial institutions: surplus personnel. The "bank job," characterized by security equal to that of government employment, has been called in question. "The case of Barclays is perhaps the most glaring and the best known," says Alessandro Meneghini, who follows this sector for the banking employees' international union, "but there are others, such as that of Standard Chartered."

To this picture, Rosa at once adds a piece of information important for understanding the roots of the problem: "The foreign banks' market share in Italy can be estimated at 1.8 percent, a figure far below that in any other European country."

The foreign banks are not only the weakest ones in times of crisis like the present, but have in fact always had trouble in penetrating the Italian market. The years in which they arrived were 1972 to 1978, a genuine boom period for the whole sector. Profits were high, and even the subsector represented by "the foreigners" received the benefit of it.

"Today, as indeed all along," Rosa maintains, "the problems are primarily linked to two distinct conditions: a narrow money market and a difficult regulatory situation. The former is the main problem: without access to an in-house network of branches, the only source of funds is the money market. And in Italy, the high

government deficit absorbs the market's liquidity. Beyond this, tax withholding at the source (20 percent) raises the cost burden on finding funds.

The regulatory aspect, on the other hand, forecloses competitive advantages on which foreign banks might base themselves. "Thanks to exchange controls, we cannot go to the Euromarket to bring in funds, either directly or by placing Euro-CDs," explains Rosa. In effect, therefore, the possession of specialized knowledge on the new financial instruments (swaps, options, etc.) is no great advantage: no domestic markets exist, and the international ones cannot be used. "We are forced," Rosa insists, "to carry on strictly domestic operations, and this precludes the innovative role we could be playing in the system. And this in the name of the theoretical weakness of Italy—which is often exaggerated."

The foreign banks' remaining leeway is in the area of diversification. Societe Generale and Citibank, for example, are trying to expand into the bank-related-services field by setting up separate firms. But more traditional banking activity, the granting of loans and the receiving of deposits, is simply in crisis—and the foreign banks are the weakest institutions of them all.

13070/08309

Sirti, Honeywell Join To Form New Company Named Sinted

35280076a Milan *ITALIA OGGI* in Italian
15 Dec 87 p 28

[Article by Edoardo Segantini: "No Conflict for Stet and Private Industry in High-Tech Field"]

[Text] Milan—The cakes baked up by public-private partnerships do sometimes end up falling; but where there's a will, collaboration is possible. This is the essence of the remarks with which, yesterday in Milan, Industry Minister Luigi Granelli stood sponsor to Sinted, a joint venture which brings together Sirti of the IRI-Stet group (51 percent), Honeywell S.p.A., an affiliate of Honeywell Inc. of Minneapolis (25 percent), and Honeywell Bull Italia, an affiliate of Honeywell Bull Inc. (24 percent), and which will operate in the so-called high-tech field.

There was a clear reference here to the Telit case, which ended badly, and whose long-drawn-out polemics are still feeding the antagonism between public and private sectors. But the tone and words used by the minister to mark the new firm's birth were almost those of an invocation: "proof positive that profitable agreements can be reached that, while they respect the partners' characteristics and the balance of their relationship, permit the best possible advantage to be taken of market opportunities.

Thus Sinted is being born under engaging auspices. It is small (initial capital 2 billion lire), but it already possesses a distinctive importance as a symbol: it represents a case of serene cohabitation between public and private sectors at a time when the two "houses" are doing nothing but fighting. On this account, Granelli pronounced it "something more than just a happy initiative," and on this account the announcement was made with special solemnity, with the entire general staffs of the three firms in attendance: from Giuliano Graziosi, managing director of Stet to Francesco Gelfi, managing director of Sirti; from Carlo Peretti, president of Honeywell Bull Italia, to Sergio Minoretti, managing director of Honeywell S.p.A., and Francesco Sponzilli, president and managing director of the new joint venture. Sinted's board of directors is composed of Sergio Minoretti, Luigi Montella, Bruno Pavesi, and Francesco Sponzilli. Giuseppe Milella is general manager.

High-tech structures are endowed, right from the design stage, with a customized network integrating data handling, office automation, environmental-control systems and security arrangements. They are, in effect, bodies that, in addition to a bone-muscle structure (walls and partitions) and a circulatory system (the ductwork), also possess a kind of central nervous system.

There are well known examples in America and Japan, from San Francisco's Moscone Center to Tokyo's Ntt Shinegawa Twins. Yet even in Milan there is one ready to be born: This is a Credito Italiano building which will house the bank's general-services center, and which will be operational in the early months of next year. It was designed by the engineering division of the very Honeywell that has now merged into Sinted.

Smart buildings are intended for services-sector activities: hotels, offices, hospitals, ports, airports. In Credito Italiano's building, for example, over a thousand white-collar personnel will be working. The system will provide them, among other things, with fully-equipped work stations, individual electronic-mail services, and automatic door-opening in case of fire. Sinted's first real job, however, will be the building which will house the new Sirti headquarters.

The Sirti-Honeywell alliance is being watched with much interest by high-tech analysts. Roberto Taranto of Teknibank maintains that the firm is off to the best possible start and thus holds all the cards for consolidating its position in a market that will be growing in a great hurry over the next few years. "Honeywell," says Taranto, "has very solid know-how both in data processing and in office-building control systems, while Sirti is a very strong firm in the field of cable installation, and in addition enjoys the advantage of working for its owner-firm, Stet. I therefore foresee, at least potentially, a high degree of technological integration."

An analogous quest for integration was what led, some time back, to the establishment of Boselli Systems, a joint venture created by IBM and Pirelli, Sinted's chief competitor on the Italian high-tech market. Here, too, one partner possesses cable and fiber-optics technology (unlike Sirti, Pirelli both produces and installs them), while the other—in this case IBM—is the repository of the data-processing know-how. According to some analysts, however, the collaboration between the computer giant and Pirelli has not, at least up until now, produced any exciting results.

According to Teknibank estimates, this market will amount to 80 or 90 billion in Italy in 1991, and it is predicted that the steadiest growth is to be expected in the 5 years from 1991 to 1995, with an annual growth rate of 33 percent. It appears from an investigation by the same research institute that users (firms, banks and agencies) of technologically equipped space consider the reduction in the management and maintenance costs of buildings to be the principal advantage among those offered by high-tech structures.

13070/08309

NORWAY

Finnmark Governor Urges Economic Cooperation With USSR

36390015a Oslo AFTENPOSTEN in Norwegian
18 Nov 87 p 2

[Guest Commentary by Governor Anders Aune: "Depopulation Most Expensive for Norway"]

[Text] In an article in AFTENPOSTEN on 2 November, Grethe Vaerno strongly warned against cooperation between Finnmark and Murmansk. This warning is in sharp contrast to government statements, both from the present government and from previous governments. In line with these positive assessments, a committee of experts is now examining the possibility of processing minerals from the Kola Peninsula.

Russian Business

The Norwegian-Finnish machine shop company Kimek of Kirkenes was established with the approval of the government. It is based primarily on the reparation of Russian vessels. It must have been perfectly clear to the government that this operation would be totally dependent on Russian business and that it would be accompanied by the establishment of a Russian presence in Kirkenes, in one form or another and to one degree or another. We can only assume that the security assessments were made in advance.

In other areas, as well, the green light has been given for Norwegian companies to engage in more trade and cooperation between Finnmark and Murmansk. Joint

groups of experts will soon begin studying the possibilities for cooperation in the fishing and tourism sectors. Initially, they will attempt to come up with business ideas that can be put into action through economic cooperation between firms on both sides. The projects will undergo technical and economic evaluation, be subjected to commercial appraisal by the firms involved, and be submitted for the approval of the national authorities.

Grethe Vaerno's warning against being overly dependent on one of the sides cannot simply be dismissed. If everything depends on business or raw materials from one side, then we may well ask if the other side is not overly dependent. On the other hand, any form of cooperation must be based on trust and not on distrust. In general, we need confidence-building measures in relations between East and West. This is also true in Finnmark. Much can be achieved through practical economic cooperation. We should support the trend that is developing on the Soviet side which, among other things, means greater freedom of movement and a place for regional cooperation with other countries: Murmansk and Finnmark, in this case. Clinging to distrust will not lead to progress.

Moving Away

It is to her credit that Grethe Vaerno sees the nationwide dimensions of a policy for maintaining the population of Finnmark by giving people good living conditions. Her statement that this is a top national priority must be met with skepticism, however. If this is the case, then the results of this effort are not comforting: a net drop of 18,000 people in the county's population from 1960 to 1986, almost 15,000 of whom were between 20 and 40 years of age, i.e. in their prime working years, with a level of education far above the average. There is a crying shortage of skilled labor in all areas and at all levels. Constant crises keep us preoccupied with misfortune. Reports of 2-month waiting periods to see a doctor and of laymen having to assume the duties of pastors in the churches have no visible effect. This is how things are supposed to be in Finnmark! During the past 9 years the population of the seven coastal municipalities of Ost-Finnmark, including Sor-Varanger, has dropped from 26 to 23 thousand, i.e. by 12 percent.

Of the 16 fresh fish trawlers we had in those same municipalities in 1979, only seven remain. The boats and the concessions have disappeared southward. Fishermen from southern Norway are allowed to empty the Barents Sea of cod, shrimp, and herring, one after the other. Fishing companies large and small are going bankrupt or are on the verge of bankruptcy in record numbers. This creates uncertainty and concern in many local communities. The fishing industry has long been kept afloat by Finnish labor. Now they are counting on Tamils, who are being directed toward Finnmark without the knowledge of either the municipalities or the Office of Refugees.

Waiting in Line Elsewhere

The trend in Finnmark toward accelerated depopulation differs sharply from that found in other countries with northern regions. In Murmansk they have to turn people away who try to move in from southern parts of the Soviet Union. On the average, Alaska has the most highly skilled people of any state in the United States. People are waiting in line to take a hard and dirty job in the mines of Svalbard. Other countries also have businesses investing in the north. This is in contrast to Norway which, in the case of Kimek and Kirkenes, has let Finnish companies take the initiative (with an eye toward oil activities on the Soviet side)!

Yes, other places have been successful—with positive remedies and people-oriented measures directed toward the entire working sector of the population. The key words are wages and taxes.

It seems as if the politicians are more interested in winning their next election than in actually solving the problems of Finnmark. Before the day of reckoning comes, we must make use of every conceivable possibility, including those at our disposal that involve our highly populated neighbor county to the east. To the extent and in the manner in which this is feasible from a purely practical and economic standpoint, we are hardly running any great risk when we consider that the national authorities are also consulted.

The Future in the North!

Grethe Vaerno's warnings seem to be greatly exaggerated, but if her article succeeds in waking up those who are now asleep and making them see the nationwide dimensions of our policy toward Finnmark, then she will not have written her article in vain. Properly managed, our fishing resources in the Barents Sea are enormous and 70 percent of Norway's continental shelf is north of Finnmark. The future of the country is in the north! In any event, the depopulation alternative is the worst and most expensive alternative for Norway as a nation.

09336

Former Labor Party Finance Minister Warns of Economic Downturn

36390015b Oslo AFTENPOSTEN in Norwegian
20 Nov 87 p 36

[Article by Cecilie Norland: "Norway Hit Harder"]

[Text] Norway will be hit harder than other industrialized Western countries in the event of an international economic downturn. Our increasing dependence on oil, our weak industrial exports, and our serious inflation problem make us especially vulnerable. "Our economic policies are not austere enough to restore balance in the Norwegian economy," former Labor Party Finance Minister Per Kleppe said in a speech in Oslo the other day.

Per Kleppe broke his close contact with the Norwegian economy in 1981, when he became general secretary of the free trade organization EFTA. On Wednesday evening he had a thought-provoking re-encounter with the Norwegian economy with the economic group of the Polytechnical Association.

Unsolved Problems

"Most things are as they were before. The fundamental problems of the Norwegian economy remain unsolved," Kleppe stated laconically in a comparison of his last long-range program (1981) with the prospective report of last fall. Inflation, low productivity, poor returns on investments, and the need for structural changes in industry were the main topics in both works. He pointed to a liberalization of the credit market, housing prices, and the fact that Norway is facing a period of low oil prices and a weak dollar as the most important changes.

Norway Is Falling Behind

Norway is becoming more dependent on oil prices. Mainland Norway's trade with other countries is showing a clear tendency toward decline and financing our deficit will cost us much more in interest than the loans Kleppe took out on behalf of us all during the seventies.

"Norwegian industrial exports are weak. Norway has been unable to restructure its production in such a way as to make use of high-growth markets. We are stuck in the 'medium-growth' sectors," said Kleppe, pointing to an EFTA report that shows that, of all the EFTA countries, Norway is doing the poorest job of exporting industrial goods.

No Restructuring

In many ways, it is more difficult and time-consuming to restructure Norwegian industry than that of other countries. Nevertheless, Kleppe expressed a certain amount of ironic surprise over the fact that such restructuring was not "in full swing long ago," since the need was determined in 1973. One reason for this sluggishness, he said, was that the enormous subsidies that are given to Norwegian industry have conserved the structure we have had for so long.

Kleppe also brought up low capital productivity, weak industrial investments, low growth in real capital, and slow increases in production in Norwegian industry. He pointed out that interest rates should be reduced and he stated that this would not happen until finance and tax policies were tightened up considerably.

Norway Should Join EMS

"Costs have risen too rapidly in Norway. Since 1983 we have gotten out of step with the other European countries. The Norwegian economy is out of balance and even though there are signs of improvement, we have a long way to go to reach a reasonable balance," Kleppe said.

He warned against devaluations, pointing out that constantly devaluing the krone leads to increased inflation. Kleppe believes that, after a reasonable transition time, a firm Norwegian policy on the exchange rate of the krone would become more credible if Norway joined the European Monetary System (EMS).

Problem of Inflation

"Escaping the inflationary spiral must be one of our top political priorities," Kleppe said. In his examination of what Norway should do, he stressed the importance of limiting the possibly drastic effects of an economic downturn, creating a much more austere budget to dampen inflation, making our financial dealings with other countries more manageable, laying the groundwork for a reduction in interest rates, reducing industrial subsidies, and changing the tax structure.

09336

Broad Agreement in Parliament on Oil Policy

Party Differences Increasing

36390027 Oslo AFTENPOSTEN in Norwegian
17 Dec 87 p 5

[Article by Kurt-Johnny Olsen: "Broad Agreement on Oil Policy in Storting"]

[Text] There is still broad political agreement on Norway's oil policy. But the tendencies toward various political opinions seem to be increasing. There was a majority for limiting annual investments to about 25 billion 1987 kroner for the next few years during the Storting debate yesterday concerning the petroleum business in the medium-long term.

The Storting majority would not take a stand on the question of changing the State ownership shares and of the use of a sliding scale for future development on the shelf.

The Conservative Party's chief industrial policy spokesman, Per-Kristian Foss, in his speech called attention to the fact that today we are faced with a number of oil fields that it is somewhat easier to fit into a development sequence. But price developments can result in big shifts.

"It will be far more difficult when the major gas agreements are to be followed up through development. The customer's demand for supplies of gas will not always be able to be reconciled as easily with a political desire for a smooth development pace," Foss emphasized, and he added that the petroleum sector involves greater uncertainty and stronger fluctuations in the level of activity than what we have been used to in any other area of Norwegian industry and economic life.

Considerable Uncertainty

The Industry Committee's chairman, Reidar Due (Center Party) also emphasized the considerable uncertainty associated with today's oil market.

"In order to contribute towards stabilization of oil prices, the government, with the Storting's consent, has reduced the growth in Norwegian oil production. These signals have been well received by OPEC. I am not prepared to underestimate the psychological effect of this position," Due said.

The Christian People's Party's chief industrial policy spokesman, Svein Alsaker, thought that it smacks of an abuse of power that the Oil and Energy Ministry refused to discuss license applications from Norsk Hydro and four local power companies and the gas power plant on Karmoy. Alsaker asserted that his party does not support the idea of a separate gas company. A gas distribution committee with the three Norwegian oil companies under Statoil's leadership will attend to and further develop the experience and understanding that has been built up, Svein Alsaker stated.

Arve Berg (Labor Party) stressed the importance of Norwegian firms' being able to take part in fighting for assignments on the shelf. "We cannot get ourselves into the situation that we have an investment halt that hits Norwegian firms. For this reason, investments in the oil sector must be in reasonable proportion to the capacity on land," Berg stressed.

Oil and Energy Minister Arne Oien reported that he would use more time on working on the organization of Statoil. Possible proposals for the organization of Statoil will be submitted in 1988, was all the cabinet minister would say about this matter.

Agreement

Besides, Oil and Energy Minister Oien placed considerable emphasis on the fact that OPEC has again reached an agreement, although Iraq has not signed it. "It seems to me as though some of the press's comments on this have been quite pessimistic," Oien said, and he added that the government is inclined to continue with the current regulation measures in order to contribute to the stabilization of oil prices at a reasonably high level.

Effects of OPEC Agreement

36390027 Oslo AFTENPOSTEN in Norwegian
15 Dec 87 p 4

[Article by Flemming Dahl: "Fragile OPEC Agreement Can Cause Trouble for Norway"]

[Text] Vienna. The great majority of the 13 OPEC oil ministers yesterday prepared themselves to sign an agreement that has the purpose of keeping oil prices up at around \$18 a barrel, the same level that prices have fluctuated around this year.

But oil market experts thought that an agreement of the nature of the one ready to be signed would have a fragile foundation, and they feared that prices would quickly show a pronounced drop.

While the OPEC ministers sat together to reach a consensus on a new agreement, prices for oil from the North Sea dropped from up under \$18 to a level on Monday of under \$16.50.

Difficult for Norway

A continued drop in prices can spell trouble for Norway. The economy will receive a new dramatic blow, and the government's collaboration with OPEC to keep oil prices up can be put to a severe test.

The collaboration involves the fact that Norway is placing limits on its oil production in order to prevent an oil surplus on the world market. But Oil and Energy Minister Arne Oien said that Norway will no longer feel any obligation to limit its oil production the day OPEC no longer does its part to keep prices up at a "reasonable" level. There is reason to believe that Norway by a "reasonable" level had around \$18 in mind.

No OPEC Guarantee

One problem with the OPEC agreement that was awaiting signatures yesterday is the fact that it involves to just as little a degree as previous OPEC agreements a guarantee that the member countries will limit their production as much as the agreement commits them to.

The fact that several member countries in recent months proudded more than they have reason to is considered the main reason for the fact that oil prices have dropped from somewhat over to plainly under \$18.

Another problem is the fact that the member country of Iraq will probably fail to sign it and thereby remain on the sidelines of the OPEC alliance and produce at its own pleasure.

Market experts point to the fact that there are large oil stockpiles around the world, and that the fall's stock market crash weakened the world economy and thereby probably the global demand for oil, so that the OPEC countries ought now to limit their production more than they appear to be in the process of doing, in order to keep prices up.

The proposed new OPEC agreement means that the member countries, with the exception of Iraq, can produce 15.06 million barrels of oil a day. The agreement that is in the process of expiring says that the member countries can produce 16.6 million barrels a day, but this includes a quota for Iraq of 1.54 million barrels.

8831

SWEDEN

Country's Agricultural Sector in Crisis

36390017 Oslo AFTENPOSTEN in Norwegian
23 Nov 87 p 9

[Article by Arve Hoff: "Swedish Agriculture in Crisis"]

[Text] Stockholm, 22 Nov—"In our country we have an agricultural policy that provides us with worse and worse food, poisons the environment, kills our animals with stress, costs billions in subsidies, and helps worsen the hunger problem throughout the world."

It was the LO [Swedish Federation of Trade Unions] newspaper in Stockholm, AFTONBLADET, that fired this bombshell last summer. Just 1 week later Agriculture Minister Mats Hellstrom presented the same message, although his choice of words was somewhat less harsh. Hellstrom said, however, that when it comes to "breaking this untenable trend, Sweden has come farther than other countries."

This does not in any way mean that Hellstrom or anyone else believes that Sweden is close to solving the more and more serious problems faced by agriculture in all the Western countries—and the opposite problems faced by all the countries of the so-called Third World.

Sweden has not even gone beyond a cautious initial phase—a phase that is so new that things are still going from bad to worse.

Openness

During the past few years, however, the debate has given a clear indication that Sweden views its difficulties both with greater clarity and with a stronger will to admit these problems and to change them than is the case, for example, in Norway. This is true of both the government and the farmers themselves.

The reasons behind the international crisis in agriculture are both quite simple and frighteningly complicated: With the help of more and more advanced technology, the West is producing more and more food—far more than the individual producing country can consume. The result is larger, more expensive stockpiles of surplus food that, with the help of subsidies, is offered for sale on the international market. Nevertheless, this food remains out of the reach of those who really need it, namely the poverty stricken developing countries with their empty coffers. This subsidized flood of food from the rich countries also excludes the Third World which, on top of all else, has had a tax structure that has placed farmers at a disadvantage for 20 years. Thus, farmers have been shut out of the only large export market in which they would otherwise actually have a chance to earn money.

Too Much Grain

With regard to Sweden the situation, in brief, is as follows: In a normal crop, Swedish farmers produce about 5.8 million tons of grain. Of this figure, the Swedes themselves consume 4.2 million and the surplus is exported. But the return on the world market is no more than one third the price guaranteed to the Swedish farmer. This means that every kilogram exported represents a loss of 1 krona. For a normal crop, the cost of the exports amounts to about 1.6 billion kronor, which is equal to a loss of 40,000 kronor each year per full-time farmer.

One interesting detail in the Swedish picture is that last summer, after a long and stormy protest, the Federation of Swedish Farmers (LRF) agreed to a government request to introduce a compensation system for corn-growing farmers who want to let greater or smaller areas of land lie fallow. The result was that 127,000 hectares of land previously used to grow grain remained unused this year. Even though farmers received up to 2,400 kronor per unused hectare, the net result was a saving of about 100 million kronor.

Fallow Land

One of the arguments used in the farmers' intense campaign against this proposal was that such a fallow land policy would change the environment in Sweden—the "open landscape" that Ulf Lundell sings about would disappear. This is an argument that has gained widespread understanding and support and now a somewhat different model has been chosen. But last year, when LRF finally gave in and went along with the government's policy, it was seen as a first step to be followed by others in the future.

This impression was reinforced by the fact that, at about the same time, LRF approved the idea of planting forests on former crop land, thereby rescinding its absolute opposition to permitting the construction of roads and buildings on agricultural land.

As indicated above, this does not mean that Sweden is approaching a solution to its problems in agriculture. A reluctant agreement between the government and LRF

as recently as a week or so ago granting increased agricultural subsidies due to this year's poor crops gave a clear indication that the two sides do not view the situation through the same eyes. A certain gradual change in mentality seems to be making itself manifest on both sides, however.

Uphill

It is still an uphill battle, however. In 1985 the goal was to eliminate the surplus production of grain within 5 years. Conditions changed dramatically during the next 2 years, however. Prices on the world market dropped by half and expenditures for exporting the surplus quadrupled.

During the next 2 years, in order to replace the fallow land program, the government will encourage farmers to open up land for grazing and to raise alternative crops, i.e. crops without price regulation. In the future, large sums will be invested in the development of such new crops.

'Hopeless Patchwork'

Still, many people who follow the broad Swedish debate over agricultural policy believe that the plans announced by the government are nothing more than a temporary mending of the hopeless patchwork of regulations. The most radical views, which came out in a series of newspaper articles by five economists last summer, are based on the idea that the entire maze of regulations in agriculture must be abolished immediately. "Close down the Agriculture Ministry," read the headline over one article, which stated that "one reason behind the chaos and contradictions in our agricultural policy is that too many goals have been written into the system of regulations for no reason."

The five economists also stressed that the present agricultural economy based on negotiations must be replaced with a free market economy.

But in Sweden, as in many other countries, it will undoubtedly take many years to implement ideas such as these.

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